In the

United States Court of Appeals

For the Seventh Circuit

No. 81-2920

ATARI, INC., a Delaware corporation, and MIDWAY MFG. CO., an Illinois corporation,

Plaintiffs-Appellants,

v.

NORTH AMERICAN PHILIPS CONSUMER ELECTRONICS CORP., a Tennessee corporation, and PARK TELEVISION, d/b/a Park Magnavox Home Entertainment Center, an Illinois partnership,

Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
No. 81-C-4434—George N. Leighton, *Judge.*

ARGUED JANUARY 19, 1982—DECIDED MARCH 2, 1982

Before WOOD and ESCHBACH, *Circuit Judges*, and GORDON, *District Judge.**

WOOD, *Circuit Judge*. Plaintiffs-appellants Midway Manufacturing Co. ("Midway") and Atari, Inc. ("Atari") instituted this action against defendants-appellees North American Philips Consumer Electronics Corp. ("North American") and Park Magnavox Home Entertainment

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* The Honorable Myron L. Gordon, District Judge of the United States District Court for the Eastern District of Wisconsin, is sitting by designation.

Center ("Park") for copyright infringement of and unfair competition against their audiovisual game "PAC-MAN." The district court denied plaintiffs' motion for a preliminary injunction, and this appeal followed, 28 U.S.C. § 1292(a)(1).

I. FACTS

Atari and Midway own the exclusive United States rights in PAC-MAN under the registered copyright for the "PAC-MAN audiovisual work." Midway sells the popular coin-operated arcade version, and Atari recently began to market the home video version. As part of its Odyssey line of home video games, North American developed a game called "K. C. Munchkin" which Park sells at the retail level. Plaintiffs filed this suit alleging that K. C. Munchkin infringes their copyright in PAC-MAN in violation of 17 U.S.C. §§ 106, 501 (Supp. I 1977), and that North American's conduct in marketing K. C. Munchkin constitutes unfair competition in violation of the Illinois Uniform Deceptive Trade Practices Act, ILL. REV. STAT. Ch. 121½, §§ 311-17 (1980), and the common law. The district court denied plaintiffs' motion for a preliminary injunction, ruling that plaintiffs failed to show likelihood of success on the merits of either claim.

Because this appeal requires us to make an ocular comparison of the two works, we describe both games in some detail.

A. The Copyrighted Work

The copyrighted version of PAC-MAN is an electronic arcade maze-chase game. Very basically, the game "board," which appears on a television-like screen, consists of a fixed maze, a central character (expressed as a "gobbler"), four pursuit characters (expressed as "ghost monsters"), several hundred evenly spaced pink dots which line the pathways of the maze, four enlarged pink dots ("power capsules") approximately located in each of the maze's four corners, and various colored fruit symbols which appear near the middle of the maze during the play of the game.

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Using a "joy stick," the player guides the gobbler through the maze, consuming pink dots along the way. The monsters, which roam independently within the maze, chase the gobbler. Each play ends when a monster catches the gobbler, and after three plays, the game is over. If the gobbler consumes a power capsule, the roles reverse temporarily: the gobbler turns into the hunter, and the monsters become vulnerable. The object of the game is to score as many points as possible by gobbling dots, power capsules, fruit symbols, and monsters.

The PAC-MAN maze has a slightly vertical rectangular shape, and its geometric configuration is drawn in bright blue double lines. Centrally located on the left and right sides of the maze is a tunnel opening. To evade capture by a pursuing monster, the player can cause the central character to exit through one opening and re-enter through the other on the opposite side. In video game parlance this concept is called a "wrap-around." In the middle is a rectangular box ("corral") which has a small opening on the upper side. A scoring table, located across the top of the maze, displays in white the first player's score on the left, the high score to date in the middle, and the second player's score on the right. If a player successfully consumes all of the dots, the entire maze flashes alternately blue and white in victory, and a new maze, replenished with dots, appears on the screen. When the game ends a bright red "game over" sign appears below the corral.

At the start of the game, the gobbler character is located centrally near the bottom of the maze. That figure is expressed as a simple yellow dot, somewhat larger than the power capsules, with a V-shaped aperture which opens and closes in mechanical fashion like a mouth as it travels the maze. Distinctive "gobbling" noises accompany this action. If fate (or a slight miscalculation) causes the gobbler to fall prey to one of the monsters, the action freezes, and the gobbler is deflated, folding back on itself, making a sympathetic whining sound, and disappearing with a star-burst.

The four monster characters are identical except that one is red, one blue, one turquoise, and one orange. They

are about equal in size to the gobbler, but are shaped like bell jars. The bottom of each figure is contoured to stimulate three short appendages which move as the monster travels about the maze. Their most distinctive feature is their highly animated eyes, which appear as large white circles with blue irises and which "look" in the direction the monster is moving. At the start of each play, the monsters are located side-by-side in the corral, bouncing back and forth until each leaves through the opening. Unlike the gobbler, they do not consume the dots, but move in a prearranged pattern about the maze at a speed approximately equal to that of the gobbler. When the gobbler consumes a power capsule and the roles reverse, the monsters panic: a siren-like alarm sounds, they turn blue, their eyes contract into small pink dots, a wrinkled "mouth" appears, and they immediately reverse direction (moving at a reduced speed). When this period of vulnerability is about to end, the monsters warn the player by flashing alternately blue and white before returning to their original colors. But if a monster is caught during this time, its body disappears, and its original eyes reappear and race back to the corral. Once in the corral, the monster quickly regenerates and re-enters the maze to resume its pursuit of the gobbler.

Throughout the play of PAC-MAN, a variety of distinctive musical sounds comprise the audio component of the game. Those sounds coincide with the various character movements and events occurring during the game and add to the excitement of the play.

B. The Accused Work

North American's K. C. Munchkin is also a maze-chase game that employs a player-controlled central character (also expressed as a "gobbler"), pursuit characters (also expressed as "ghost monsters"), dots, and power capsules. The basic play of K. C. Munchkin parallels that of PAC-MAN: the player directs the gobbler through the maze consuming dots and avoiding capture by the monsters; by gobbling a power capsule, the player can reverse the roles; and the ultimate goal is to accumulate the most points by gobbling dots and monsters.

K. C. Munchkin's maze also is rectangular, has two tunnel exits and a centrally located corral, and flashes different colors after the gobbler consumes all of the dots. But the maze, drawn in single, subdued purple lines, is more simple in overall appearance. Because it appears on a home television screen, the maze looks broader than it is tall. Unlike that in PAC-MAN, the maze has one dead-end passageway, which adds an element of risk and strategy.[1] The corral is square rather than rectangular and rotates ninety degrees every two or three seconds, but serves the same purpose as the corral in PAC-MAN. The scoring table is located below the maze and, as in PAC-MAN, has places on the left and right for scores for two players.[2] But instead of simply registering the high score in the middle, the K. C. Munchkin game displays in flashing pink and orange a row of question marks where the high scorer can register his or her name.

The gobbler in K. C. Munchkin initially faces the viewer and appears as a round blue-green figure with horns and eyes. The gobbler normally has an impish smile, but when a monster attacks it, its smile appropriately turns to a frown. As it moves about the maze, the gobbler shows a somewhat diamond-shaped profile with a V-shaped mouth which rapidly opens and closes in a manner similar to PAC-MAN's gobbler. A distinctive "gobbling" noise also accompanies this movement. When the gobbler stops, it turns around to face the viewer with another grin. If captured by a monster, the gobbler also folds back and disappears in a starburst. At the start of each play, this character is located immediately above the corral. If successful in consuming

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[1] The K. C. Munchkin home video game has several modes with an almost indefinite variety of mazes. One mode, for example, employs a constantly changing configuration, in another, the player can build his or her own maze, and in yet another, the maze disappears when the gobbler moves.

[2] Before any player registers points, the PAC-MAN scoring table displays in white "1 UP" and "2 UP" where the scores will appear. The K. C. Munchkin game simply displays "0000" in orange for the first player and in white for the second.

the last dot, the munchkin turns to the viewer and chuckles.[3]

K. C. Munchkin's three ghost monsters appear similar in shape and movement to their PAC-MAN counterparts.[4] They have round bodies (approximately equal in size to the gobbler) with two short horns or antennae, eyes, and three appendages on the bottom. The eyes are not as detailed as those of the PAC-MAN monsters, but they are uniquely similar in that they also "look" in the direction in which the monster is moving. Although slightly longer, the "legs" also move in a centipede-like manner as the monster roams about the maze. The similarity becomes even more pronounced when the monsters move vertically because their antennae disappear and their bodies assume the more bell jar-like shape of the PAC-MAN monsters. Moreover, the monsters are initially stationed inside the corral (albeit in a piggyback rather than a side-by-side arrangement) and exit into the maze as soon as play commences.

K. C. Munchkin's expression of the role reversal also parallels that in PAC-MAN. When the gobbler consumes one of the power capsules, the vulnerable monsters turn purple and reverse direction, moving at a slightly slower speed. If caught by the gobbler, a monster "vanishes": its body disappears and only white "eyes" and "feet" remain to indicate its presence. Instead of returning directly to the corral to regenerate, the ghost-like figure continues to wander about the maze, but does not affect the play.[5] Only if the rotating corral happens to open up toward the monster as it travels one of the adjacent passageways will the monster re-enter the corral to be regenerated. This delay in regeneration allows the

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[3] The district court stated that "the central character is made to have a personality which the central character in 'PAC-MAN' does not have."

[4] The district court, however, characterized the K. C. Munchkin monsters as much "spookier."

[5] During this time, the white eyes disappear and reappear in alternating sequence with the reappearance and disappearance of the monster's body silhouetted in white.

gobbler more time to clear the maze of dots. When the period of vulnerability is about to end, each monster flashes its original color as a warning.

There are only twelve dots in K. C. Munchkin as opposed to over two hundred dots in PAC-MAN. Eight of those dots are white; the other four are power capsules, distinguished by their constantly changing color and the manner in which they blink. In K. C. Munchkin, the dots are randomly spaced, whereas in PAC-MAN, the dots are uniformly spaced. Furthermore, in K. C. Munchkin, the dots are rectangular and are always moving. As the gobbler munches more dots, the speed of the remaining dots progressively increases, and the last dot moves at the same speed as the gobbler. In the words of the district court, "the last dot . . . cannot be caught by overtaking it; it must be munched by strategy." At least initially, one power capsule is located in each of the maze's four corners, as in PAC-MAN.

Finally, K. C. Munchkin has a set of sounds accompanying it which are distinctive to the whole line of Odyssey home video games. Many of these sounds are dissimilar to the sounds which are played in the arcade form of PAC-MAN.

C. The Creation and Promotion of the Accused Work

Ed Averett, an independent contractor, created K. C. Munchkin for North American. He had previously developed approximately twenty-one video games, including other maze-chase games. He and Mr. Staup, who is in charge of North American's home video game development, first viewed PAC-MAN in an airport arcade. Later, after discussing the strengths and weaknesses of the PAC-MAN game and its increasing popularity, they decided to commence development of a modified version to add to North American's Odyssey line of home video games. Mr. Averett also played PAC-MAN at least once before beginning work on K. C. Munchkin.

Mr. Staup and Mr. Averett agreed, however, that the PAC-MAN game, as is, could become popular as a home video game, but only if marketed under the "PAC-

MAN" name. Thus, as Mr. Averett worked on K. C. Munchkin, North American sought to obtain from Midway a license under the PAC-MAN copyright and trademark. Mr. Staup later learned that the license was not available and so informed Mr. Averett. At that time, Mr. Averett had not yet completed K. C. Munchkin.

When Mr. Averett finished the project, North American examined the game and concluded that it was "totally different" from PAC-MAN. To avoid any potential claim of confusion, however, Mr. Averett was told to make further changes in the game characters. As a result, the color of the gobbler was changed from yellow to its present bluish color. North American also adopted the dissimilar name "K. C. Munchkin" and issued internal instructions not to refer to PAC-MAN in promoting K. C. Munchkin.

An independent retailer in the Chicago area nonetheless ran advertisements in the *Chicago Sun-Times* and the *Chicago Tribune* describing K. C. Munchkin as "a Pac-Man type game" and "as challenging as Pac-Man." Another printed advertisement referred to K. C. Munchkin as "a PAC-MAN game." Plaintiffs also sent investigators to various stores to purchase a K. C. Munchkin game. In response to specific inquiries, sales persons in two stores, one being the aforementioned independent retailer, described the Odyssey game as "like PAC-MAN" and as "Odyssey's PAC-MAN."

II. STANDARD OF REVIEW AND PRELIMINARY INJUNCTIONS

This court will not reverse the grant or denial of a preliminary injunction absent "a showing from the totality of the factors that a clear abuse of the trial court's discretion has occurred or that the court's findings were clearly erroneous or represent a certain mistake of law." *Menominee Rubber Co. v. Gould, Inc.*, 657 F.2d 164, 166 (7th Cir. 1981). Four factors enter into the district court's exercise of discretion to grant or deny a preliminary injunction: (1) whether the plaintiff will have an adequate remedy at law or will be irreparably harmed if the injunction does not issue; (2) whether the

threatened injury to the plaintiff outweighs the threatened harm the injunction may inflict on the defendant; (3) whether the plaintiff has at least a reasonable likelihood of success on the merits; and (4) whether the granting of a preliminary injunction will disserve the public interest. *Reinders Brothers v. Rain Bird Eastern Sales Corp.*, 627 F.2d 44, 48 (7th Cir. 1980).

The district court concluded only that plaintiffs failed to meet the threshold requirement of showing likelihood of success on the merits. The court thus did not address the other factors in denying plaintiffs' motion. *See Kolz v. Board of Education of City of Chicago*, 576 F.2d 747, 749 (7th Cir. 1978). Upon reversing that decision, this court nonetheless may direct that a preliminary injunction be entered if we find from the record that plaintiffs as a matter of law made the requisite showing as to the remaining elements.

Under the circumstances of this case, the determination of copyright infringement (or lack thereof) is predicated upon an ocular comparison of the works themselves and does not involve any material credibility issues. Therefore, this court is in as good a position as the district court to decide that question. *See Novelty Textile Mills v. Joan Fabrics Corp.*, 558 F.2d 1090, 1093 (2d Cir. 1977); *cf. Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 383 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976) (trademark infringement).

III. COPYRIGHT INFRINGEMENT

To establish infringement a plaintiff must prove ownership of a valid copyright and "copying" by the defendant. *See* 3 M. NIMMER, NIMMER ON COPYRIGHT § 13.01, at 13-3 (1981) ("Nimmer"). Because direct evidence of copying often is unavailable, copying may be inferred where the defendant had access to the copyrighted work and the accused work is substantially similar to the copyrighted work. *Warner Brothers, Inc. v. American Broadcasting Cos., Inc.*, 654 F.2d 204, 207 (2d Cir. 1981). The parties stipulated to the validity of plaintiffs' copyright and to access; the district court's ruling turned solely on the question of substantial similarity.

Some courts have expressed the test of substantial similarity in two parts: (1) whether the defendant copied from the plaintiff's work and (2) whether the copying, if proven, went so far as to constitute an improper appropriation. *See Scott v. WKJG, Inc.*, 376 F.2d 467, 469 (7th Cir.), *cert. denied*, 389 U.S. 832 (1967); *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946); *cf. Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977) (extrinsic-intrinsic test). Our analysis focuses on the second part of that test and the response of the "ordinary observer." *See Ideal Toy Corp. v. Fab-Lu Ltd. (Inc.)*, 360 F.2d 1021, 1023 n.2 (2d Cir. 1966). Specifically, the test is whether the accused work is so similar to the plaintiff's work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff's protectible expression by taking material of substance and value. *Krofft*, 562 F.2d at 1164. Judge Learned Hand, in finding infringement, once stated that "the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same." *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). It has been said that this test does not involve "analytic dissection and expert testimony," *Arnstein*, 154 F.2d at 468, but depends on whether the accused work has captured the "total concept and feel" of the copyrighted work, *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1110 (9th Cir. 1970).

While dissection is generally disfavored, the ordinary observer test, in application, must take into account that the copyright laws preclude appropriation of only those elements of the work that are protected by the copyright.[6] *Durham Industries, Inc. v. Tomy Corp.*, 630

[6] "When the alleged infringing work is not a duplicate of the copyrighted work, a determination of whether protected elements have been taken requires a close analysis of the differences and similarities between the two works." E. KITCH & H. PERLMAN, LEGAL REGULATION OF THE COMPETITIVE PROCESS 665 (2d ed. 1979). This type of analysis often is necessary to reach a general, subjective conclusion regarding substantial similarity.

F.2d 905, 913 (2d Cir. 1980); *Clarke v. G. A. Kayser & Sons, Inc.*, 472 F. Supp. 481, 482 (W.D. Pa. 1979), *aff'd without op.*, 631 F.2d 725 (3d Cir. 1980); 3 Nimmer § 13.03[E], at 13-51 to -52. "It is an axiom of copyright law that the protection granted to a copyrightable work extends only to the particular expression of an idea and never to the idea itself." *Reyher v. Children's Television Workshop*, 533 F.2d 87, 90 (2d Cir.), *cert. denied*, 429 U.S. 980 (1976). "Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself." *Mazer v. Stein*, 347 U.S. 201, 217 (1954); *see Baker v. Selden*, 101 U.S. 99, 102-03 (1879). The Copyright Act of 1976 codifies this idea-expression dichotomy. 17 U.S.C. § 102(b); *see* H. REP. No. 94-1476, 94th Cong., 2d Sess. 57, *reprinted in* [1976] U. S. CODE CONG. & AD. NEWS 5659, 5670. Thus, "if the only similarity between plaintiff's and defendant's works is that of the abstract idea, there is an absence of *substantial* similarity and hence no infringement results." 3 Nimmer § 13.03[A][1], at 13-19 (original emphasis); *see Warner Brothers*, 654 F.2d at 204, 208; *Durham*, 630 F.2d at 913.

It follows that copyright protection does not extend to games as such. *Chamberlin v. Uris Sales Corp.*, 150 F.2d 512 (2d Cir. 1945); *see also Anti-Monopoly, Inc. v. General Mills Fun Group*, 611 F.2d 296, 300 n.1 (9th Cir. 1979). As Professor Nimmer notes, however, "some limited copyright protection is nevertheless available in connection with games. . . . [A] relatively minimal artistic expression, if original, would render copyrightable . . . the pattern or design of game boards and playing cards as pictorial or graphic works." 1 Nimmer § 2.18[H][3], at 2-212. Recognizing this principle, the Second Circuit has held copyrightable as an audiovisual work, *see* 17 U.S.C. § 102(a)(6), the "repetitive sequence of a substantial portion of the sights and sounds" of a video game called "SCRAMBLE."[7] *Stern Electronics, Inc. v.*

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[7] But the court carefully limited its holding:

> We need not decide at what point the repeating sequence of images would form too insubstantial a portion of

(Footnote continued on following page)

Kaufman, No. 81-7411, slip op. at 7 (2d Cir. Jan. 20, 1982); *see also Atari, Inc. v. Amusement World, Inc.*, Civ. No. Y-81-803, slip op. at 9 (D. Md. Nov. 27, 1981); *Midway Mfg. Co. v. Dirkschneider*, Civ. No. 81-0-248, slip op. at 13-14 (D. Neb. July 15, 1981) (PAC-MAN). This appeal requires us to address the related question of the *scope* of copyright protection to be afforded audiovisual games such as PAC-MAN. To do so, we must first attempt to distill the protectible forms of expression in PAC-MAN from the game itself. *See, e.g., Durham*, 630 F.2d at 914-15.

There is no litmus paper test by which to apply the idea-expression distinction; the determination is necessarily subjective. As Judge Learned Hand said, "Obviously, no principle can be stated as to when an imitator has gone beyond copying the 'idea,' and has borrowed its 'expression.' Decisions must therefore inevitably be *ad hoc*." *Peter Pan Fabrics*, 274 F.2d at 489. Courts and commentators nevertheless have developed a few helpful approaches. In *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931), Judge Hand articulated what is now known as the "abstractions test":

> Upon any work . . . a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. . . . [T]here is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his "ideas," to which, apart from their expression, his property is never extended. Nobody has ever been able to fix that boundary,

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[7] *continued*

an entire display to warrant a copyright, nor the somewhat related issue of whether a sequence of images (*e.g.*, a spaceship shooting down an attacking plane) might contain so little in the way of particularized form of expression as to be only an abstract idea portrayed in non-copyrightable form, *see Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930), *cert. denied*, 282 U.S. 902 (1931).

Slip op. at 8.

> and nobody ever can. . . . As respects plays, the controversy chiefly centers upon the characters and sequence of incident, these being the substance.

(citations omitted). This "test" has proven useful in analyzing dramatic works, literary works, and motion pictures, where the recurring patterns can readily be abstracted into very general themes.[8]

A related concept is that of idea-expression unity: where idea and expression are indistinguishable, the copyright will protect against only identical copying. *Krofft*, 562 F.2d at 1167-68. *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738 (9th Cir. 1971), presents a good example and discussion of this limitation. Plaintiff charged defendants with copyright infringement of a pin in the shape of a bee encrusted with jewels. The court assumed the validity of plaintiff's copyright, but refused to find substantial similarity:

> What is basically at stake is the extent of the copyright owner's monopoly—from how large an area of activity did Congress intend to allow the copyright owner to exclude others? We think the production of jeweled bee pins is a larger private preserve than Congress intended to be set aside in the public market without a patent. A jeweled bee pin is therefore an "idea" that defendants were free to copy. Plaintiff seems to agree, for it disavows any claim that defendants cannot manufacture and sell jeweled bee pins and concedes that only plaintiff's particular design or "expression" of the jeweled bee pin "idea" is protected under its copyright. The difficulty, as we have noted, is that on this record

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[8] One commentator offered a further refinement of this test:

> No doubt the line does lie somewhere between the author's idea and the precise form in which he wrote it down. . . . [P]rotection covers the 'pattern' of the work . . . the sequence of events, and the development of the interplay of characters.

Chafee, *Reflections on the Law of Copyright*, 45 COLUM. L. REV. 503, 513 (1945).

the "idea" and its "expression" appear to be indistinguishable. There is no greater similarity between the pins of plaintiff and defendants than is inevitable from the use of jewel-encrusted bee forms in both.

When the "idea" and its "expression" are thus inseparable, copying the "expression" will not be barred, since protecting the "expression" in such circumstances would confer a monopoly of the "idea" upon the copyright owner free of the conditions and limitations imposed by the patent law.

Id. at 742; *see also Franklin Mint Corp. v. National Wildlife Art Exchange, Inc.*, 575 F.2d 62 (3d Cir.), *cert. denied*, 439 U.S. 880 (1978). "The idea and expression will coincide when the expression provides nothing new or additional over the idea." *Krofft*, 562 F.2d at 1168.

In the context of literary works, some courts have adopted a similar *scenes a faire* approach. *Scenes a faire* refers to "incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic." *Alexander v. Haley*, 460 F. Supp. 40, 45 (S.D.N.Y. 1978); *see Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 979 (2d Cir.), *cert. denied*, 449 U.S. 841 (1980). Such stock literary devices are not protectible by copyright. *Reyher*, 533 F.2d at 91. Thus, "similarity of expression, whether literal or non-literal, which necessarily results from the fact that the common idea is only capable of expression in more or less stereotyped form will preclude a finding of actionable similarity." 3 Nimmer § 13.03[A][1], at 13-28. Courts have applied this concept to written game rules, *see, e.g., Morrissey v. Procter & Gamble Co.*, 279 F.2d 675, 678 (1st Cir. 1967); *Affiliated Hospital Products, Inc. v. Merdel Game Manufacturing Co.*, 513 F.2d 1183, 1188-89 (2d Cir. 1975); *Durham*, 630 F.2d at 914-15, and to the pictorial display of game boards, *see Atari, Inc. v. Amusement World, Inc.*, slip op. at 11-15.

As *Kalpakian* and other cases show, that a work is copyrighted says very little about the scope of its protection. But the *Kalpakian* case is nonetheless instructive in that it represents one end of a spectrum of protection.

As a work embodies more in the way of particularized expression, it moves farther away from the bee pin in *Kalpakian*, and receives broader copyright protection. At the opposite end of the spectrum lie the "strongest" works in which fairly complex or fanciful artistic expressions predominate over relatively simplistic themes and which are almost entirely products of the author's creativity rather than concomitants of those themes. *See, e.g., Krofft*, 562 F.2d at 1169 ("The expression inherent in the H. R. Pufnstuff series differs markedly from its relatively simple idea"). As one court noted: "The complexity and artistry of the expression of an idea will separate it from even the most banal idea. . . . [T]he scope of copyright protection increases with the extent expression differs from the idea." *Id.* at 1168. *See also Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904 (3d Cir.), *cert. denied*, 423 U.S. 863 (1975) ("between the extremes of conceded creativity and independent effort amounting to no more than the trivial, the test of appropriation necessarily varies"); *Clarke*, 472 F. Supp. at 482-83.

Plaintiffs' audiovisual work is primarily an unprotectible game, but unlike the bee pin, to at least a limited extent the particular form in which it is expressed (shapes, sizes, colors, sequences, arrangements, and sounds) provides something "new or additional over the idea." *See Goodson-Todman Enterprises, Ltd. v. Kellogg Co.*, 513 F.2d 913 (9th Cir. 1975). In applying the abstractions test, we find that plaintiffs' game can be described accurately in fairly abstract terms, much in the same way as one would articulate the rules to such a game. *Cf. Morrissey* (no infringement of written game rules). PAC-MAN is a maze-chase game in which the player scores points by guiding a central figure through various passageways of a maze and at the same time avoiding collision with certain opponents or pursuit figures which move independently about the maze. Under certain conditions, the central figure may temporarily become empowered to chase and overtake the opponents, thereby scoring bonus points. The audio component and the concrete details of the visual presentation constitute the copyrightable expression of that game "idea."

Certain expressive matter in the PAC-MAN work, however, should be treated as *scenes a faire* and receive protection only from virtually identical copying. The maze and scoring table are standard game devices, and the tunnel exits are nothing more than the commonly used "wrap around" concept adapted to a maze-chase game. Similarly, the use of dots provides a means by which a player's performance can be gauged and rewarded with the appropriate number of points, and by which to inform the player of his or her progress. Given their close connection with the underlying game, K. C. Munchkin's maze design, scoring table, and "dots" are sufficiently different to preclude a finding of infringement on that basis alone.

Rather, it is the substantial appropriation of the PAC-MAN characters that requires reversal of the district court. The expression of the central figure as a "gobbler" and the pursuit figures as "ghost monsters" distinguishes PAC-MAN from conceptually similar video games. Other games, such as "Rally-X"[9] (described in *Dirkschneider*) and North American's own "Take the Money and Run,"[10] illustrate different ways in which a basic maze-chase game can be expressed. *See also Durham*, 630 F.2d at 914-15. PAC-MAN's particular artistic interpretation of the game was designed to create a certain impression which would appeal to a nonviolent player personality. The game as such, however, does not dictate the use of a "gobbler" and "ghost monsters." Those characters are wholly fanciful creations, without reference to the real world.[11] *See Krofft; Walt Disney Productions v. Air Pirates*, 581 F.2d

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[9] In Rally-X, the object is to guide a car through a maze clearing various check-points (represented by flags) to score points and avoiding collision with a number of pursuit cars. *Dirkschneider*, slip op. at 6.

[10] In Take the Money and Run, the player-controlled figure and the pursuit figures are presented as humanoid forms.

[11] With each video game, the line of demarcation between idea and expression and the extent to which certain expressions may constitute *scenes a faire* will vary. *See, e.g., Atari, Inc. v. Amusement World, Inc.*, slip op. at 13-15.

751 (9th Cir. 1978) (Cummings, J., sitting by designation), *cert. denied*, 439 U.S. 1132 (1979).

North American not only adopted the same basic characters but also portrayed them in a manner which made K. C. Munchkin appear substantially similar to PAC-MAN. The K. C. Munchkin gobbler has several blatantly similar features, including the relative size and shape of the "body," the V-shaped "mouth," its distinctive gobbling action (with appropriate sounds), and especially the way in which it disappears upon being captured. An examination of the K. C. Munchkin ghost monsters reveals even more significant visual similarities. In size, shape, and manner of movement, they are virtually identical to their PAC-MAN counterparts. K. C. Munchkin's monsters, for example, exhibit the same peculiar "eye" and "leg" movement. Both games, moreover, express the role reversal and "regeneration" process with such great similarity that an ordinary observer could conclude only that North American copied plaintiffs' PAC-MAN.

Defendants point to a laundry list of specific differences—particularly the concept of moving dots, the variations in mazes, and certain changes in facial features and colors of the characters—which they contend, and the district court apparently agreed, shows lack of substantial similarity. Although numerous differences may influence the impressions of the ordinary observer, "slight differences between a protected work and an accused work will not preclude a finding of infringement" where the works are substantially similar in other respects. *Durham*, 630 F.2d at 913; *see Sheldon v. Metro-Goldwyn Pictures Corp.*, 81 F.2d 49 (2d Cir.), *cert. denied*, 298 U.S. 669 (1936). Exact reproduction or near identity is not necessary to establish infringement. "[A]n infringement . . . includes also the various modes in which the matter of any work may be adopted, imitated, transferred, or reproduced, with more or less colorable alterations to disguise the piracy." *Universal Pictures Co., Inc. v. Harold Lloyd Corp.*, 162 F.2d 354, 360 (9th Cir. 1947). In comparing the two works, the district court focused on certain differences in detail and seemingly ignored (or at least failed to articulate) the

more obvious similarities. The *sine qua non* of the ordinary observer test, however, is the overall similarities rather than the minute differences between the two works. *Peter Pan Fabrics*, 274 F.2d at 489; *cf. Warner Brothers*, 654 F.2d at 209-11 ("Judge Motley's opinion indicates that she properly focused upon 'the similarities not the differences'"). The nature of the alterations on which North American relies only tends to emphasize the extent to which it deliberately copied from the plaintiffs' work. *Concord Fabrics, Inc. v. Marcus Brothers Textile Corp.*, 409 F.2d 1315, 1316 (2d Cir. 1969). When analyzing two works to determine whether they are substantially similar, courts should be careful not to lose sight of the forest for the trees.[12] *Hoehling*, 618 F.2d at 979-80.

To assess the impact of certain differences, one factor to consider is the nature of the protected material and the setting in which it appears. *Universal Athletic Sales*, 511 F.2d at 908. Video games, unlike an artist's painting or even other audiovisual works, appeal to an audience that is fairly undiscriminating insofar as their concern about more subtle differences in artistic expression. The

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[12] Many of the differences, such as North American's inability to duplicate some of the more distinctive features of PAC-MAN's monsters, may be due to the lesser capacity of the home video medium. That a work is transferred into a different medium is not itself a bar to recovery. *Universal Pictures*, 162 F.2d at 360; 2 Nimmer § 8.01[B], at 8-13. An author has the exclusive right to produce derivative works based on the original work, 17 U.S.C. § 106(2), and that right often can be more valuable than the right to the original work itself. Although dissection and expert testimony is not favored, the judicially created ordinary observer test should not deprive authors of this significant statutory grant merely because the technical requirements of a different medium *dictate* certain differences in expression. Without deciding the question, we note that in some cases it may be important to educate the trier of fact as to such considerations in order to preserve the author's rights under the Copyright Act. *See* 3 Nimmer § 13.03[E], at 13-45. We do not, however, propose that wholly *voluntary* changes in expression be given any less weight by the trier of fact.

main attraction of a game such as PAC-MAN lies in the stimulation provided by the intensity of the competition. A person who is entranced by the play of the game "would be disposed to overlook" many of the minor differences in detail and "regard their aesthetic appeal as the same." *Cf. Krofft*, 562 F.2d at 1166-67 (children would view accused characters as substantially similar to the protected characters despite differences in detail).

The defendants and the district court order stress that K. C. Munchkin *plays* differently because of the moving dots and the variety of maze configurations from which the player can choose. The focus in a copyright infringement action, however, is on the similarities in protectible *expression*. Even to the extent that those differences alter the visual impression of K. C. Munchkin, they are insufficient to preclude a finding of infringement. "[I]t is enough that substantial parts were lifted; no plagiarist can excuse the wrong by showing how much of his work he did not pirate." *Sheldon*, 81 F.2d at 56. Infringement may be found where the similarity relates to matter which constitutes a substantial portion of plaintiffs' work—*i.e.*, matter which is of value to plaintiffs. 3 Nimmer § 13.03[A][2], at 13-31 to -32; *see also Universal Pictures*, 162 F.2d at 361. It is irrelevant that K. C. Munchkin has other game modes which employ various maze configurations. The only mode that concerns this court is the one that uses a display most similar to the one in PAC-MAN. Other cases similarly have separated the "attract" mode from the "play" mode in comparing two audiovisual games. *See, e.g., Dirkschneider*, slip op. at 7-9; *Stern Electronics, Inc. v. Kaufman*, No. 80-C-3248, slip op. at 9-10 (E.D.N.Y. May 22, 1981) (preliminary injunction), *aff'd*, No. 81-7411 (2d Cir. Jan. 20, 1982). Moreover, PAC-MAN's distinctive characters alone may constitute material of substantial value. *Cf. Walt Disney; Krofft* (cartoon characters).

While not necessarily conclusive, other extrinsic evidence additionally suggests that plaintiffs are likely to succeed on their copyright claim. In promoting K. C. Munchkin, several retailers and sales clerks described that game by referring to PAC-MAN. Comments that K. C. Munchkin is "Odyssey's PAC-MAN" or "a PAC-MAN

game" especially reflect that at least some lay observers view the games as similar. *Cf. Union Carbide*, 531 F.2d at 384 (trademark infringement); *MCA, Inc. v. Wilson*, 425 F. Supp. 443, 450 (S.D.N.Y. 1976), *aff'd in part*, 211 U.S.P.Q. 577 (2d Cir. 1981) (spontaneous reactions of the ordinary observer are relevant). *But cf. Ideal Toy Corp. v. Kenner Products*, 443 F. Supp. 291, 303 (S.D.N.Y. 1977) (disregarding statements that the accused work "looks like" the protected work). Furthermore, North American's direction to Mr. Averett that he make certain superficial changes in the gobbler figure may be viewed as an attempt to disguise an intentional appropriation of PAC-MAN's expression.

Based on an ocular comparison of the two works, we conclude that plaintiffs clearly showed likelihood of success.[13] Although not "virtually identical" to PAC-MAN, K. C. Munchkin captures the "total concept and feel" of and is substantially similar to PAC-MAN. *Accord Dirkschneider*, slip op. at 9, 10 n.6. This case is a far cry from those in which the defendant appropriated only the game idea, but adopted its own unique form of expression, *see Durham*, 630 F.2d at 914-15, or where minor variations or differences were sufficient to avoid liability because the form of expression was inextricably tied to the game itself, *see Affiliated Hospital; Atari, Inc. v. Amusement World, Inc.*; *Clarke; Freedman v. Grolier Enterprises, Inc.*, 179 U.S.P.Q. 476, 479 (S.D.N.Y. 1973).

IV. IRREPARABLE INJURY, BALANCE OF HARDSHIPS, PUBLIC INTEREST

Irreparable injury may normally be presumed from a showing of copyright infringement. *Wainwright Securi-*

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[13] We do not, however, agree with plaintiffs that PAC-MAN is entitled to broader protection simply because it is an audiovisual work. The case plaintiffs cite for that proposition, *Universal City Studios v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981), is inapposite. In *Sony*, the Ninth Circuit addressed only the question of whether home video recording is exempt from liability for copyright infringement, not whether the test for infringement is any less exacting.

ties, Inc. v. Wall Street Transcript Corp., 558 F.2d 91, 94 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014 (1978). Even without the aid of that presumption, plaintiffs clearly have established irreparable harm. The record reveals that Midway's PAC-MAN has become an immensely popular arcade game, sales of which have exceeded $150 million after only one year. In October 1981, Atari had already committed over $1.5 million to the licensing, development, and promotion of its home video version of PAC-MAN, which it intends to put on the market in March 1982. As of the date of the hearing in the district court, Atari had booked orders for PAC-MAN in excess of one million cartridges with a sales value of over $24 million. By marketing K. C. Munchkin, North American jeopardized the substantial investments of Midway and especially Atari. The short-lived nature of video games further underscores the need for a preliminary injunction. *See Dirkschneider*, slip op. at 20; *Stern*, D.Ct. slip op. at 5. Moreover, the Atari and Odyssey game cartridges are not interchangeable. To play K. C. Munchkin, the purchaser must also buy North American's ODYSSEY[2] game console. The impact of North American's infringement therefore extends even beyond the PAC-MAN game to the whole Atari system.

The balance of hardships and public interest factors do not weigh against the entry of a preliminary injunction. North American's only alleged hardship is the profits it would lose if enjoined from marketing K. C. Munchkin. This argument, however, "merits little equitable consideration." *Helene Curtis Industries v. Church & Dwight Co., Inc.*, 560 F.2d 1325, 1333 (7th Cir. 1977), *cert. denied*, 434 U.S. 1070 (1978). "Advantages built upon a deliberately plagiarized make-up do not seem to us to give the borrower any standing to complain that his vested interests will be disturbed." *My-T Fine Corp. v. Samuels*, 69 F.2d 76, 78 (2d Cir. 1934), quoted in *Helene Curtis*, 560 F.2d at 1333. This is also not a case in which the plaintiffs' harm would be *de minimis* in comparison to that of the defendants. Finally, a preliminary injunction is necessary to preserve the integrity of the copyright laws which seek to encourage individual effort and creativity by granting valuable enforceable rights. *Dirkschneider*, slip op. at 20-21; *see*

Mazer, 347 U.S. at 219. Defendants point to no competing public interest that would be harmed.

V. CONCLUSION

The district court's conclusion that the two works are not substantially similar is clearly erroneous, and its refusal to issue a preliminary injunction constitutes an abuse of discretion. Since this is an interlocutory appeal, however, we are mindful that our holding does not constitute a conclusive adjudication of the merits of plaintiffs' claim. *See Hunter v. Atchison, T. & S. F. Railway Co.*, 188 F.2d 294, 298-99 (7th Cir.), *cert. denied*, 342 U.S. 819 (1951). The ordinary observer test should not be applied in a judicial vacuum. Further development of the facts at trial may command a different conclusion.

For the foregoing reasons, we reverse the district court's denial of plaintiffs' motion for a preliminary injunction and direct the district court to enter a preliminary injunction against continued infringement of plaintiffs' copyright.[14]

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

[14] A preliminary injunction on the copyright claim eliminates the need to address the district court's ruling on the unfair competition claim. We do note, however, that where the defendants' work is visually similar to the plaintiffs' work, state unfair competition law may prohibit the marketing of defendants' work if it is not clearly labeled to prevent likelihood of confusion as to source. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 238 (1964). Moreover, while language such as "like PAC-MAN" or "as challenging as PAC-MAN" might constitute legitimate comparative advertising and not cause confusion, that assessment does not apply with equal force to phrases such as "Odyssey's PAC-MAN" or "a PAC-MAN game." *Cf. Ideal Toy*, 443 F. Supp. at 308 (defendant's toys were merely said to "look like" the "Star Wars" movie).

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APPENDIX B

Opinion by Judge Wood

JUDGMENT—ORAL ARGUMENT

United States Court of Appeals

For the Seventh Circuit

Chicago, Illinois 60604

March 2, 1982.

Before

Hon. CHARLINGTON WOOD, JR., Circuit Judge
Hon. JESSE E. ESCHBACH, Circuit Judge
Hon. MYRON L. GORDON, District Judge*

ATARI, INC., a Delaware corporation, and MIDWAY MFG. CO., an Illinois corporation,

Plaintiffs-Appellants,

No. 81-2920

vs.

NORTH AMERICAN PHILIPS CONSUMER ELECTRONICS CORP., a Tennessee corporation, and PARK TELEVISION, d/b/a Park Magnavox Home Entertainment Center, an Illinois partnership,

Defendants-Appellees.

Appeal from the United States District Court for the Northern District of Illinois Eastern Division.

No. 81-C-6434

Judge George N. Leighton

This cause was heard on the record from the United States District Court for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, IT IS ORDERED AND ADJUDGED by this Court that the judgment of the said District Court in this cause appealed from be, and the same is hereby, REVERSED, with costs, and with directions to the district court, in accordance with the opinion of this Court filed this date.

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* The Honorable Myron L. Gordon, District Judge of the United States District Court for the Eastern District of Wisconsin, is sitting by designation.

APPENDIX C

United States Court of Appeals

For the Seventh Circuit

Chicago, Illinois 60604

March 2, 1982

Before

Hon. HARLINGTON WOOD, JR., Circuit Judge
Hon. JESSEE E. ESCHBACH, Circuit Judge
Hon. MYRON L. GORDON, District Judge*

ATARI, INC., a Delaware corporation, and MIDWAY MFG. CO., an Illinois Corporation,

Plaintiffs-Appellants,

No. 81-2920 *vs.*

NORTH AMERICAN PHILIPS CONSUMER ELECTRONICS CORP., a Tennessee corporation, and PARK TELEVISION, d/b/a Park Magnavox Home Entertainment Center, an Illinois partnership,

Defendants-Appellees

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

No. 81-C-6434

George N. Leighton, Judge.

ORDER

For reasons which we present in our opinion entered today, we grant plaintiffs-appellants' motion for injunction, pending this Court's final disposition of the appeal.

It is ordered that this matter is remanded forthwith to the district court[1] for the limited purpose of additional proceedings for the entry of an order by the district court enjoining, pending

* District Judge Myron L. Gordon, of the Eastern District of Wisconsin, is sitting by designation.

[1] Circuit Rule 18 shall not apply.

final disposition of the appeal, the defendants' infringing activities.

The order entered by the district court shall provide that its enforcement shall be supervised by that court.

This order is without prejudice to the setting of a bond by the district court staying the enforcement of the injunction pending completion of the proceedings in this Court or before the Supreme Court of the United States.

Plaintiffs shall file a status report on these proceedings on limited remand on or before Monday, March 8, at 5:00 p.m. or within 24 hours of the district court's order, whichever is sooner.

APPENDIX D

D1

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ATARI, INC., a Delaware corporation, and MIDWAY MFG. CO., an Illinois corporation,

Plaintiffs,

vs.

NORTH AMERICAN PHILIPS CONSUMER ELECTRONICS CORP., a Tennessee corporation, and PARK TELEVISION, d/b/a PARK MAGNAVOX HOME ENTERTAINMENT CENTER, an Illinois partnership,

Defendants.

No. 81 C 6434

Before the Honorable George N. Leighton, United States District Judge

Memorandum

I

This suit, alleging infringement of a copyright, deceptive trade practices, and common law unfair competition, reflects a phenomenon of our times: the widespread and frenzied popularity of the audio-video game, a product related to the modern-day computer. Involved is the question whether the copyright to an arcade video game called "Pac-Man" is infringed by the sale and distribution of another video game, "K. C. Munchkin." This court has federal question jurisdiction pursuant to 28 U.S.C. §§ 1331(a)(2) and 1338(a) and has pendant jurisdiction over the state law claims under 28 U.S.C. § 1338(b).

Atari, Inc., a Delaware corporation, and Midway Mfg. Co., an Illinois corporation, owners of exclusive rights to the "Pac-Man" copyright, have moved for a preliminary injunction barring defendants, North American Philips Consumer Electronics Corporation and Park Television, d/b/a Park Magnavox Home Entertainment Center, "their employees, servants,

agents, and all persons in active concert with them, from advertising, distributing, displaying, performing, selling, or offering for sale, the 'K. C. Munchkin' home video game, or in any other manner violating plaintiffs' exclusive rights under the copyright in the 'Pac-Man' audio-visual work." Evidence has been heard consisting of testimony of witnesses and exhibits which have been offered and received. It has been agreed between the parties that for the purpose of this proceeding, the validity of the copyright is not an issue; nor is it contested that during the relevant period defendants had access to the arcade video game, "Pac-Man." The issue to be resolved, however, is whether plaintiffs have established a likelihood that on the merits they will succeed in proving that defendants have infringed the copyright to "Pac-Man," and have engaged in deceptive trade practices and unfair competition. Resolution of this issue requires reference to the facts, including a detailed description of the two games.

II

A. *Background*

Plaintiff Atari, Inc., a leading developer and manufacturer of home video games and personal computers, is a Delaware corporation with its principal place of business in Sunnyvale, California. It markets and sells its products to dealers and distributors on whom it depends for sales to consumers. Plaintiff Midway Mfg. Co., a leading developer and manufacturer of coin-operated video games, is an Illinois corporation, having its principal place of business in Franklin Park, Illinois. Its coin-operated games are placed for use in a wide variety of public places, such as arcades, bars, hotels, shopping centers, retail stores, and restaurants.

Defendant North American Philips Consumer Electronics corporation, is a citizen of Tennessee, organized under the laws

of that state, with its principal place of business in Knoxville, Tennessee. It manufactures, advertises, distributes and sells home video games. Defendant Park Television, d/b/a Park Magnavox Home Entertainment Center, is an Illinois partnership, having its principal place of business in Evergreen Park, Illinois. It is a retailer of audio-visual equipment, including home video games marketed by North American such as the "K. C. Munchkin" game at issue in this proceeding.

Atari and Midway own exclusive rights under a copyright registered with the Register of Copyrights effective November 13, 1980 for the "Pac-Man Audiovisual Work," Reg. No. PA83-768. This game was created by a Japanese company in 1980 which by assignment and licenses vested in Atari and Midway their exclusive ownership of the copyright to "Pac-Man." These rights have great monetary value.

For example, since October 31, 1980, Midway has sold in excess of 75,000 "Pac-Man" video games throughout the United States a for wholesale value in excess of $150 million. Each "Pac-Man" game sold by Midway contains a notice of its claim of co right. The game has achieved widespread popularity among members of the American public. It has been the subject of numerous unsolicited news reports and has been featured on a number of nationwide television programs. Opinion polls rank it second among upright coin-operated video games in earnings. Widely circulated magazines of the video game industry have published pools relied upon by those in the video game industry. As a result of the game's popularity, Atari has engaged in transactions that represent large investment in its future distribution for home video and personal computer use. It has paid substantial sums of money and has obligated itself to pay royalties for its exclusive ownership in "Pac-Man". In all, Atari has expended in excess of $1.5 million in licensing, developing, and advertising its "Pac-Man" home video game.

B. *The "Pac-Man" game*

"Pac-Man," as it is now on the market, is an arcade maze-chase game. It is housed in a six feet tall and approximately twenty-four inch wide cabinet that has a viewing plate facing diagonally upwards toward a player standing in front of it. Through the viewing plate, a player sees a television type display, an oblong shaped maze with varying size and shape of geometric figures, and a number of characters, one a yellow dot with a V-shaped aperture at one side which opens and closes like a mouth. The maze appears in double blue lines; and throughout are several hundred evenly spaced pink dots which the central, yellow character gobbles as he moves about.

There are four other moving figures or characters, identical except that one is red, one blue, one turquoise, and one orange. All of these, sometimes called goblins, have eyes and appendages which simulate feet. They do not consume the dots, but move in a prearranged pattern about the maze which is unchanging. In the center is a blue box to which the goblins return each time the player begins a game. Four of the pink dots, located at approximately the four corners of the maze, are enlarged; and when the central figure, the gobbler, consumes those dots, the goblins change color to blue. When the goblins are in their original variety of colors, the central character is vulnerable, so that when the central character and one of the goblins collide, the central character is deflated (with accompanying audible sounds). At this point that particular play, but not the game, is finished.

When the goblins turn to blue for a few seconds, they are vulnerable to the gobbler and can be consumed by it, thus scoring points for the player. The player also gains points by avoiding the goblins and consuming the normal sized pink dots in the maze. The player may additionally gain points by consuming various fruit symbols placed near the center of the maze. The game is controlled by a joy stick on the front of the arcade structure so that a player can guide the gobbler up or

down, and left or right, through the fixed maze. Throughout the play of "Pac-Man," a number of musical notes are sounded for the audio portion of the game, and also a number of whistles and siren-like sounds can be heard in the background.

C. *The "K. C. Munchkin" Game*

"K. C. Munchkin" has physical features which meet the technical requirements for presenting a game in an arcade type of viewer. These technical differences result in a different visual display. "K. C. Munchkin" as a home video game is also a maze-chase; but the maze is rectangular and appears on the home video screen as broader than it is tall, and there are more horizontal passageways in which the characters can move than in "Pac-Man". In "K. C. Munchkin", there is a practically infinite number of mazes, all of which give patterns as a matter of mechanics, as a matter of appearance, and as a matter of play tactics and technique. There is variability of mazes in "K. C. Munchkin."

The characters in "K. C. Munchkin" are different from those in "Pac-Man". In "K. C. Munchkin," the central character, the munchkin, appears as a blue figure with horns, normally with a smile, but when he is attacked by a monster, his smile turns to a frown; and then he evaporates upwardly from the screen. The character, or the appearance of the central figure, is that he initially faces the viewer rather than showing a profile. As he moves along the maze he shows a profile, and when he stops, he turns around to face the viewer with another smile. Thus, the central character is made to have a personality which the central character in "Pac-Man" does not have. "K. C. Munchkin" has munchers which are much "spookier" than the goblins in "Pac-Man." Their legs are longer and move more dramatically; their eyes are vacant, all of these features being absent in "Pac-Man." The munchers are red, green, and yellow.

An apparent difference, from the point of view of play of the two games, is the changing orientation of the center of the maze in "K. C. Munchkin." In "Pac-Man," the center portion of the maze is elongated to accommodate the goblins and is stationary, never changing. The goblins simply move upward out of a fixed center "box" into the maze, while in "K. C. Munchkin," the first mode of play shows the center of the maze as a box changing the open side by ninety degrees every two or three seconds.

There are only twelve dots in "K. C. Munchkin" as opposed to over two hundred dots in "Pac-Man"." In "K. C. Munchkin," the dots are randomly spaced, whereas in "Pac-Man," the dots are uniformly spaced. Furthermore, in "K. C. Munchkin," the dots are square and are always moving, and when the game is played, it becomes progressively more difficult for the central character to catch the remaining dots after he consumes the first one or two. The remaining dots accelerate so that toward the end the dots reach the same speed as the munchkin. The last dot is the most difficult to catch. It cannot be caught by overtaking it; it must be munched by strategy.

In playing the "K. C. Munchkin" game, it is necessary for the player to "out-think" the movements of the dots which is not the way that "Pac-Man" is played. In "K. C. Munchkin," the player must observe the whole grid and anticipate the movements of characters and dots; while in "Pac-Man," the characters follow a set pattern, one which a skilled player can determine fairly readily. The dots do not move at all.

And in "K. C. Munchkin," in several of the modes of play, the maze is a periodically changing pattern or is a disappearing maze, that is, it appears on the screen when the player stops moving the munchkin and disappears when the munchkin is in motion, so that the person who is playing has to anticipate where the walls of the maze might be. These disappearing maze modes are not present in "Pac-Man." "K. C. Munchkin"

makes it possible for a player to program the maze shown on the screen by operation of the console. Stated another way, the player might draw on the screen whatever walls he wishes to create in the maze, thus creating a continuously changing maze from game to game. This is a significant difference in appearance from the fixed maze of "Pac-Man."

Finally, "K. C. Munchkin" has a set of sounds accompanying it which are distinctive to the whole line of Odyssey home video games. These sounds are not at all like the sounds which are played in the arcade form of "Pac-Man." The tone sequences are different, the notes are different, and create an entirely different impression on the listener. The reason for the sounds in "Pac-Man" is its installation in arcades where there are many competing noises from neighboring games and players.

"K. C. Munchkin," as a home audio-visual video game, was created for defendant North American by Ed Averett, independent contractor, who has been its consultant in creating home video games for the last four years. His first interest in developing the game was met by a desire of North American executives to obtain a license to use "Pac-Man." Overtures were made to Midway Mfg. Co. without success. Mr. Averett, on the other hand, had developed approximately 21 such games, one of which was called "Take the Money and Run." That game is a maze-chase game whose maze configuration is rectangular and almost identical with that in "K. C. Munchkin." In the development of "K. C. Munchkin," Mr. Averett's wife, a highly skilled computer programmer, offered several suggestions which were adopted in the creation of "K. C. Munchkin," the most notable of which was the moving dot principle. Prior to embarking on the development of his game, Mr. Averett, in the company of a North American executive, saw a "Pac-Man" in an Atlanta, Georgia airport arcade. On at least one occasion before completing his design, he played a "Pac-Man." He was not impressed with the game because, in his judgment, it did

not have enough violence for consumer appeal in an arcade setting. Mr. Averett did not recognize the appeal a lesser amount of violence in the game might have upon women, a market which was growing at the time, but substantially undeveloped. He recognized the concept in "Pac-Man" as a maze-chase game in which the central character was either pursued or the pursuer, and that the characters were gobbled up when captured.

Mr. Averett showed an initial version of "K. C. Munchkin," although not known by that name at the time, to Mr. Staup of North American in July 1980. The company considered it, including the principle of changing mazes not only from mode to mode, but also a change during the course of each game, and made them programmable. Mr. Averett and his wife were both quite enthusiastic about the use of movable dots to be caught, both from the standpoint of building challenges into a game and also from the attractiveness of the game to a home video game player. The movement of the dots makes a maze-chase game much more challenging to play and less likely to lose interest for players over a period of time. The movements of the munchers was another item on which he wanted to exercise creativity; and in creating the "K. C. Munchkin" game, he wanted to give these the appearance of thinking so that they would be challenging to avoid. Accordingly, Mr. Averett and his wife built into "K. C. Munchkin" the need for a player to out-maneuver or trap the dots as they move about the mazes, and "out-think" both the dots and the munchers as they move in apparently purposeful fashion. For Mr. Averett, it was necessary to trap the dots through skill rather than simply chase them around. These features in the initial version of "K. C. Munchkin" have been carried over into the final version.

The executives at North American were aware of possible difficulties with the plaintiffs in this action, even though they believed their "K. C. Munchkin" game was different from

"Pac-Man." They urged Mr. Averett to create more differences; and consequently, the game's central character was given its ultimate appearance by changing the shape, adding antennas, and changing the color from yellow to blue. The colors of the munchers were changed in order to get away from even a cosmetic similarity to the colors in "Pac-Man". The revised version of "K. C. Munchkin" was approved by the defendant North American in August 1980 and production was begun.

D. *The post-production events*

In the advertising, sale and distribution of its game, North American took steps which its executives believed would avoid any possible conflict or confusion between "K. C. Munchkin" and "Pac-Man." Internal instructions were issued within the company to avoid use of all trade names, trademarks, or trade designations of others in connection with the game promotion. Specifically, instructions given were for the purpose of avoiding any reference to the "Pac-Man" game. On October 27 and November 27, 1981, memoranda were addressed to its sales force in which North American stressed that it did not want "others to misapply our game names and trademarks to their games. Likewise, we should not use other people's trademarks or game names to refer to our own games [sic]." The advertisements used referred to the "K. C. Munchkin" video game cartridge, its packaging for that cartridge, and the instruction manual; it did not include any material which could reasonably result in confusion with "Pac-Man."

One of North American's distributors in the greater metropolitan Chicago area is "Minnesota Fats, the Video King." This company is an independent retailer who purchases home video games from North American, but is not controlled by it. It does not now receive any advertising allowance from North American for games, and has not done so for some time in the past. On November 13, 1982, in a Chicago-Sun Times advertisement, Minnesota Fats included a description of "K. C.

Munchkin" saying that it was "a Pac-Man type game." The insertion of this statement was not with permission of North American or any of its executives.

Some of North American's dealers in the Chicago area are on a cooperative advertising basis, but not Minnesota Fats. Co-op advertising dealers submit ads to North American for prior approval; and all approvals of cooperative advertising come to the attention of North American's district general manager, Mr. Ronald E. Giese. He administers and enforces North American's policy of avoiding use of any other trademark, trade name, or other trade designation. Ordinarily, the November 13, 1981 advertisement by Minnesota Fats would have come to Mr. Geise's attention, but in fact did not. After the advertisement appeared in the Chicago-Sun Times, Mr. Geise learned of this fact. A North American representative was instructed to call Minnesota Fats for the purpose of attempting to get that company to delete any reference of "Pac-Man" game in any future advertisement.

On the same day that the Minnesota Fats advertisement appeared in Chicago newspapers, Linda Pierce, a legal secretary employed by the law firm representing Atari, was instructed to locate and purchase a "K. C. Munchkin" home video game. After calling several Chicago Loop department stores, Ms. Pierce contacted Wieboldt's at One North State Street in Chicago and spoke to a Mr. Sarno. She told him that she wanted to purchase a "K. C. Munchkin" home video game but he mistakenly believed that the game she wanted could hook up to a television set. Mr. Sarno explained to Ms. Pierce he thought she was confused and told her that the "K. C. Munchkin" home video game was a cassette that could be played on an Odyssey II home video system. He then explained to her that the " 'K. C. Munchkin' game was just like 'Pac-Man.' " He told her they did not have the game, but expected to have some in the near future.

Two days later, Thomas P. Gallo, another investigator for Atari's lawyers, called one of Minnesota Fats' locations in Oak Lawn, Illinois in order to investigate North American's method of selling its "K. C. Munchkin" game at retail. Mr. Gallo knew that Minnesota Fats had advertised "K. C. Munchkin" as a "'Pac-Man'-type game." When he entered the store, he approached a female sales clerk asking to purchase a "K. C. Munchkin." There were only three such games in stock. He purchased one; and in a conversation, the salesgirl told him that the "K. C. Munchkin" was "just like 'Pac-Man.'" When Gallo asked her if the store had a "Pac-Man," she said it didn't but that they would have it in March; and the cost would be "probably higher, it's hard to say." In the same investigation, Gallo called a Magnavox Home Entertainment Center in Lincoln Mall, Matteson, Illinois. The distributor had sold out its allotment of "K. C. Munchkin." Mr. Gallo was told that the distributorship received an allotment of a limited number of test units of "K. C. Munchkin." Gallo was unsuccessful in locating any additional "K. C. Munchkin" units since all the distributors he contacted had either sold out the game, or did not initially receive any.

III

From these facts, the court concludes that plaintiffs have not shown a probability that when this case is heard on its merits they will prove that defendants, in manufacturing and distributing "K. C. Munchkin," have infringed the copyright to "Pac-Man." In a copyright case, as in all others, a plaintiff seeking preliminary injunctive relief must demonstrate that there is a substantial likelihood of success on the merits at trial, that irreparable injury will be suffered unless the injunction issues, that the threatened injury to the movant outweighs the damage which the injunction may cause the opponent, and that the injunction will not be adverse to the public interest. *Dallas*

Cowboys Cheerleaders vs. Scoreboard Posters, 600 F.2d 1184, 1187 (5th Cir. 1979); *Metro-Goldwyn-Mayer vs. Showcase Atlanta Co-op. Prod.*, 479 F.Supp. 351, 355 (N.D. Ga. 1979). Whether a preliminary injunction will issue is entrusted to the discretion of this court. The factors which should guide exercise of this discretion are:

> (1)the threat of irreparable harm to the plaintiff; (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties litigant; (3) the probability that plaintiff will succeed on the merits; and (4) the public interest.

Dataphase Systems, Inc. vs. C. L. Systems, Inc., 640 F.2d 109, 113 (8th Cir. 1981). No one of these is determinative.

In this proceeding, plaintiffs' ownership of a valid copyright is conceded; therefore, allegations of irreparable injury need not be detailed, because such injury can normally be presumed when a copyright is infringed. *Wainright Securities, Inc. v. Wall Street Transcript Corp.*, 558 F.2d 91, 94 (2d Cir. 1977), *cert. denied*, 434 U.S. 1014 (1978); 98 S.Ct. 730. But, in order to prevail on their claim of copyright infringement, plaintiffs must prove that defendants performed and distributed games copies from the audio-visual work, "Pac-Man." *Scott v. W. K. J. G., Inc.* 376 F.2d 467 (7th Cir. 1967), *cert. denied*, 389 U.S. 832 (1967); *cf. Bell v. Combined Registry Company*, 397 F.Supp. 1241 (N.D. Ill. 1975), 429 U.S. 1001; 97 S.Ct. 530; *see* 3 M. Nimmer, Copyright §§ 13.01 13.02[A] 1978). In this court's judgment, plaintiffs, on a trial of the merits, will not be able to make this proof.

"Copied," within copyright infringement cases, is shown "if ordinary observation would recognize it as having been appropriated from or patented after the copyrighted work." *Peter Pan Fabrics, Inc. v. Arcadia Co.*, 173 F.Supp. 292, 300, 274 F.2d 487 (1960). "Copying" proscribed by copyright law means more than tracing original, line by line; to some extent it includes appropriation of artist's thought in creating his own

form of expression. *Franklin Mint Corp. v. National Wild Life Art Exchange, Inc.*, 575 F.2d 62, 65 (3d Cir. 1978), *cert. denied; see C. M. Paula Co. v. Logan*, 355 F.Supp. 189, 191 (N.D. Tex. 1973).

Since plaintiffs cannot prove copying, they advance the theory that "K. C. Munchkin" is substantially similar to "Pac-Man." However, substantial similarity for copyright infringement purposes it is determined by the ordinary observer test. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1093 (2d Cir. 1977); *cf., Walter v. University Books, Inc.*, 602 F.2d 859 (9th Cir. 1979). But evidence in this record shows that "K. C. Munchkin" is not substantially similar to "Pac-Man." In fact, it has been established in this proceeding that defendants created their game from a source they had utilized before "Pac-Man" came into existence; the maze defendants utilized is different, and the way their game is played is different from plaintiffs' "Pac-Man."

As to plaintiffs' claims of deceptive trade practices and common law unfair competition by confusion of goods, no showing has been made of probable success on the merits. The test of confusion of goods is whether similitude of labels would probably deceive a purchaser exercising ordinary prudence, not whether it would deceive a careless buyer who makes no examination. *Avrick v. Rockmont Envelope Co.*, 64 F.Supp. 765, 766 (D.C. Colo. 1945) *rev'd on other grounds*, 155 F.2d 568. The evidence does not show a similitude of labels by which plaintiffs sell "Pac-Man" and those under which defendants distribute and sell "K. C. Munchkin." Neither the testimony of Mr. Gallo, nor the affidavit of Ms. Pierce shows a confusion by members of the public of plaintiffs' video game with that of defendants'. The advertisement by Minnesota Fats referring to "K. C. Munchkin" as "a Pac-Man type game" did not confuse one game with the other. This was a description by which the two were separately identified.

IV

Therefore, plaintiffs' motion for preliminary injunction is denied. They are not entitled to preliminary injunctive relief on claims of copyright infringement, deceptive practices, and unfair competition where their ultimate ability to prevail is questionable. *Eagle-Friedman-Roedelheim Co. v. Allison Mfg. Co.*, 204 F.Supp. 679 (D.C. Pa. 1962); *Dallas Cowboys Cheerleaders v. Scoreboard Posters*, 600 F.2d 1184, 1187 (5th Cir. 1979); *O'Neill Developments, Inc. v. Galen Kilburn, Inc.* Slip Op. (N.D. Ga. October 22, 1981).

So ordered,

GEORGE N. LEIGHTON,
George N. Leighton,
United States District Judge

Dated: Dec 4 1981

APPENDIX E

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ATARI, INC., a Delaware corporation, and MIDWAY MFG. CO., an Illinois corporation,
Plaintiffs,
vs.
NORTH AMERICAN PHILIPS CONSUMER ELECTRONICS CORP., a Tennessee corporation, and PARK TELEVISION d/b/a PARK MAGNAVOX HOME ENTERTAINMENT CENTER, an Illinois partnership,
Defendants.

No. 81 C 6434

Before the Honorable George N. Leighton, United States District Judge

Order for Injunction Pending Final Disposition of Appeal

In accordance with the Opinion and Order, each dated March 2, 1982, of the United States Court of Appeals for the Seventh Circuit in Appeal No. 81-2920 in this matter (copies of which are attached hereto), defendants, North American Philips Consumer Electronics Corp. (North American), and Park Television, d/b/a Park Magnavox Home Entertainment Center (Park), and all of their respective officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise, are hereby enjoined and restrained from advertising, distributing, displaying, performing, selling, or offering for sale a video game cartridge known as "K. C. Munchkin", or in any other manner violating plaintiffs' exclusive rights under the copyright in the Pac-Man audiovisual work pending final disposition of Appeal No. 81-2920. This injunction shall be supervised by this court in accordance with the order of the United States Court of

Appeals for the Seventh Circuit. This order shall be effective upon the filing with the Clerk of the United States District Court for the Northern District of Illinois by plaintiffs of a bond in the amount of One Hundred Thousand Dollars ($100,000.00).

So ordered,

GEORGE N. LEIGHTON
George N. Leighton,
United States District Judge

Dated: March 5, 1982

APPENDIX F

RELEVANT PARTS OF STATUTES INVOLVED

Copyright Act of 1976, 17 U.S.C. §§ 101 *et seq.*

§ 101. Definitions

As used in this title, the following terms and their variant forms mean the following:

* * *

"Audiovisual works" are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

* * *

§ 102. Subject matter of copyright; In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;

(2) musical works, including any accompanying words;

(3) dramatic works, including any accompanying music;

(4) pantomimes and choreographic works;

(5) pictorial, graphic, and sculptural works;

(6) motion pictures and audiovisual works; and

(7) sound recordings.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operations, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

• • •

§ 501. Infringement of copyright

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118, or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright.

• • •

APPENDIX G

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

ATARI, INC.

v.

AMUSEMENT WORLD, INC., et al

CIVIL NO. Y-81-803

Filed: November 27, 1981

John J. Sweeney, Jr., Esquire, Baltimore, Maryland, and Elliott B. Aronson, Esquire, San Francisco, California, counsel for the plaintiff.

Benjamin Lipsitz, Esquire, Baltimore, Maryland, and Arthur J. Levine, Esquire, Washington, D.C., counsel for the defendant.

YOUNG, United States District Judge

MEMORANDUM OPINION AND ORDER

Atari, Inc., holder of a copyright on the electronic video game "Asteroids," seeks to enjoin defendants Amusement World, Inc., and its president Stephen Holniker, from manufacturing or distributing any product in violation of plaintiff's copyright.

In October, 1979, plaintiff Atari, introduced "Asteroids," a video game in which the player commands a spaceship through a barrage of space rocks and enemy spaceships. Plaintiff has sold 70,000 copyrighted "Asteroids" games for a total of $125,000,000 making "Asteroids" the largest-selling video game ever (not counting sales in Japan).

Defendant Amusement World, Inc., is a small closely-held corporation employing a total of five people. Its business has consisted largely of repair work on coin-operated games, but

recently it has attempted to enter the lucrative video business by producing and distributing a video game called "Meteors."

On March 13, 1981, plaintiff first became aware that defendants were selling "Meteors," which plaintiff alleges is substantially similar to "Asteroids." On March 18, 1981, plaintiff sent defendants a cease and desist letter, which defendants have ignored. Plaintiff then filed suit and now seeks injunctive relief.

THE GAMES

Each of the two video games is contained in a cabinet with a display screen and a control panel for the player. The course of the game is controlled by a computer program, which has been chemically implanted to printed circuit boards inside the cabinet. When no one is playing the game, the machine is in the so-called "attract mode," in which there appears on the display screen an explanation of the game and/or a short simulated game sequence, which is intended to attract customers. Placing a coin in the machine causes it to go into "play mode," in which the computer program generates scenes of dangerous situations, to which the player responds by pressing various buttons on the control panel.

The principle of the two games is basically the same. The player commands a spaceship, represented by a small symbol that appears in the center of the screen. During the course of the game, symbols representing various sized rocks drift across the screen and, at certain intervals, symbols representing enemy spaceships enter and move around the screen and attempt to shoot the player's spaceship. Four control buttons allow the player to rotate his ship clockwise or counterclockwise, to move the ship forward, and to fire a weapon. A variety of appropriate sounds accompany the firing of weapons and the destruction of rocks and spaceships.

Many of the design features of the two games are similar or identical. In both games:

(1) There are three sizes of rocks.

(2) The rocks appear in waves, each wave being composed initially of larger rocks.

(3) Larger rocks move more slowly than smaller ones.

(4) When hit, a large rock splits into two medium rocks, a medium rock splits into two small ones, and a small rock disappears.

(5) When a rock hits the player's spaceship, the ship is destroyed.

(6) There are two sizes of enemy spaceships.

(7) The larger enemy spaceship is an easier target than the smaller one.

(8) The player's ship and enemy ships shoot projectiles.

(9) When a spaceship's projectiles hit a rock or another ship, the latter is destroyed immediately.

(10) The destruction of any rock or spaceship is accompanied by a symbol of an explosion.

(11) When an enemy spaceship is on the screen, the player hears a beeping tone.

(12) There is a two-tone beeping noise in the background throughout the game, and the tempo of this noise increases as the game progresses.

(13) The player gets several spaceships for his quarter. The number of ships remaining is displayed with the player's score.

(14) The score is displayed in the upper left corner for one player and the upper right and left corners for two players.

(15) The control panels are painted in red, white, and blue.

(16) Four control buttons from left to right, rotate the player's spaceship counter-clockwise, rotate it clockwise, move it forward, and fire the weapon.

(17) When a player presses the "thrust" button, his spaceship moves forward and when he releases the button the ship begins to slow down gradually (although it stops more quickly in "Meteors").

(18) The player gets an extra spaceship if he scores 10,000 points.

(19) Points are awarded on an increasing scale for shooting (a) large rock, (b) medium rock, (c) small rock, (d) large alien craft, (e) small alien craft.

(20) When all rocks are destroyed a new wave of large rocks appears.

(21) Each new wave of rocks has progressively more large rocks than the previous waves to increase the challenge of the game.

(22) A general overhead view of the battle field is presented.

There are also a number of differences between the games:

(1) "Meteors" is in color, while "Asteroids" is in black and white.

(2) The symbols for rocks and spaceships in "Meteors" are shaded to appear three-dimensional, unlike the flat, schematic figures in "Asteroids."

(3) The rocks in "Meteors" appear to tumble as they move across the screen.

(4) "Meteors" has a background that looks like distant stars.

(5) At the beginning of "Meteors," the player's spaceship is shown blasting off the earth, whereas "Asteroids" begins with the player's spaceship in outerspace.

(6) The player's spaceship in "Meteors" fires faster and can fire continuously, unlike the player's spaceship in "Asteroids," which can fire only bursts of projectiles.

(7) The player's spaceship in "Meteors" fires faster and can fire continuously, unlike the player's spaceship in "Asteroids," which can fire only bursts of projectiles.

(8) The pace of the "Meteors" game is faster at all stages.

(9) In "Meteors," after the player's spaceship is destroyed, when the new spaceship appears on the screen, the game resumes at the same pace as immediately before the last ship was destroyed; in "Asteroids" the game resumes at a slower pace.

The necessary elements for copyright infringement have been stated succinctly in 3 Nimmer, *The Law of Copyright*, § 13.01:

> Reduced to most fundamental terms, there are only two elements necessary to the plaintiff's case in an infringement action: ownership of the copyright by the plaintiff, and copying by the defendant.

OWNERSHIP OF THE COPYRIGHT

As stated by *Nimmer, supra* § 13.01(A):

> Plaintiff's ownership in turn breaks down into the following constituent parts: (1) Originality in the author, (2) copyrightability of the subject matter, (3) citizenship status of the author such as to permit a claim of copyright, (4) compliance with applicable statutory formalities, and (5) (if the plaintiff is not the author) a transfer of rights or other relationship between the author and the plaintiff so as to constitute the plaintiff the valid copyright claimant.

The copyright registration certificate provides *prima facie* evidence of the above elements of the claim of ownership:

> In any judicial proceedings, the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. . . .

17 U.S.C. § 410(c). Plaintiff entered into evidence its certificate of copyright registration, and defendants challenge only the second and fourth elements of copyright ownership. Therefore, the Court finds for the plaintiff on the remaining elements and addresses only the two challenged elements.

Defendants challenge the copyrightability of plaintiff's video game. However, the "Asteroids" game clearly fits the Act's definitions of copyrightable material. The Act includes among the types of works of authorship that may be copyrighted "motion pictures and other audiovisual works." 17 U.S.C. § 102(a)(6). The Act 17 U.S.C. § 101, defines "audiovisual works" as:

> works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

"Motion pictures" are defined as:

> audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with any accompanying sounds, if any.

Id.

Defendant contends that plaintiff has not properly copyrighted the "Asteroids" game, arguing that the original work of authorship is the computer program, as embodied in the printed circuit board.[1] Plaintiff filed a video-tape of what appeared on the display screen during one of an infinite number of possible game sequences with the copy-right office, rather than the printed circuit board. Defendant argues that this registration affords no protection for the underlying computer program/printed circuit board.

Defendants' analysis is faulty, because it fails to distinguish between the work and the medium in which it is fixed. In order to receive a copyright, a work must be both copyrightable (that is, it must fit one of the definitions of a copyrightable work) and fixed in a tangible medium of expression. 17 U.S.C. § 102(a). Plaintiff's "work," the thing that plaintiff has created and desires to protect, is the visual presentation of the "Asteroids" game. That work is copyrightable as an audiovisual work and as a motion picture. 17 U.S.C. § 101; *Stern Electronics, Inc. v. Harold Kaufman, et al.*, No. 80 C 3248 (E.D.N.Y., May 22, 1981) (rejecting defendant's claims that the video game's presentation was not an original work and that only the computer program could be considered an original work); *Midway Mfg. Co. v. Dale Drinkschneider, et al.*, No. 81-0-243 (D.Neb., July 15, 1981) (rejecting a similar claim). Plaintiff's work also happens to be fixed in the medium of circuitry on a

[1] Defendant uses the term "read-only memory" (ROM), which is the electronic circuit that consists of the thousands of tiny "switches" that have been chemically imprinted on the printed circuit borad.

printed circuit board. This follows from the definition in 17 U.S.C. § 102 of a tangible medium of expression as a medium "from which [the work] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine." A video game's printed circuit board is clearly such a medium of expression, since the "work," the audio-visual presentation, can be communicated from the printed circuit board with the aid of the video game's display screen. *See Midway, supra,* at 13-14. Thus, plaintiff's work meets both the requirements of copyrightability and fixation and is entitled to copyright protection. The specific medium in which the work is fixed is irrelevant—as long as a copyrightable work is fixed in some tangible medium, the work is entitled to copyright protection. 17 U.S.C. § 101. The owner of a copyrightable work need not, and indeed, cannot copyright the medium in which the work is fixed.

Defendants also argue that plaintiff is attempting to copyright an idea, rather than the expression of an idea. The Copyright Act adopted the longstanding common law doctrine that this is impermissible. 17 U.S.C. § 102(b). Apparently defendants are claiming that plaintiff is attempting to monopolize the use of the idea of a video game in which the player fights his way through asteroids and spaceships. Defendants cite the case of *Herbert Rosenthall v. Kalpakian*, 446 F.2d 738 (9th Cir. 1971), in which the court held that plaintiff could not copyright his jewelled pin in the shape of a bee because such a copyright would amount to a copyright of the *idea* of a jewelled bee pin. The court based this holding on the finding that the idea of a jewelled bee pin is capable of only one expression, and, therefore, when defendant used plaintiff's idea of a jewelled bee pin, as defendant was entitled to do, it was inevitable that defendant's pin would look like plaintiff's pin. The critical difference in this case is that the idea of a video game involving asteroids is a much more general idea than the rather specific concept of a jewelled pin in the shape of a bee, and the former is capable of many forms of expression. Thus,

when plaintiff copyrighted his particular expression of the game, he did not prevent others from using the idea of a game with asteroids. He prevented only the copying of the arbitrary design features that makes plaintiff's expression of this idea unique. These design features consist of the symbols that appear on the display screen, the ways in which those symbols move around the screen, and the sounds emanating from the game cabinet. Defendants are entitled to use the idea of a video game involving asteroids, so long as they adopt a different expression of the idea—*i.e.*, a version of such a game that uses symbols, movements, and sounds that are different from those used in plaintiff's game.

Defendants' second challenge concerns plaintiff's compliance with the applicable statutory procedures for registering a copyright. The Copyright Act requires the registrant to deposit two "complete copies" of the work, 17 U.S.C. § 408. Plaintiff submitted a videotape of one game sequence, and defendants contend that this is not a complete copy of the "Asteroids" game. However, the Copyright Office Regulation, 37 C.F.R. 202.20(d), allow the Register of Copyrights to permit the deposit of only one copy or "alternative identifying material." Given the bulkiness and cost of the actual video game, a video tape of the audiovisual presentation in the game is a reasonable "alternative identifying material." *See Midway, supra,* Findings 15, 20, and 25; *Stern, supra,* at 8.

INFRINGEMENT BY DEFENDANTS

Since direct evidence of copying is seldom available, plaintiff may prove copying by showing that defendants had access to plaintiff's work and that the two works are substantially similar. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977). Access was shown indirectly by evidence that plaintiff's work had been widely disseminated. *See Detective Comics, Inc. v. Bruns Publication, Inc.*, 28 F. Supp. 399 (S.D.N.Y. 1939), *mod.*, 111 F.2d 432 (2d Cir. 1940).

Therefore, the crucial issue is whether defendants' game, "Meteors," is substantially similar to plaintiff's game, "Asteroids." Substantial similarity is determined by a general comparison of the two works:

> 'Substantial similarity' is to be determined by the 'ordinary observer' test. Judge Learned Hand in defining this test stated there is substantial similarity where 'the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.' *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). More recently this court formulated the test as 'whether an average lay observer would recognize the alleged copy as having been appropriated from the copyright work.' *Ideal Toy Corp. v. Fab-Lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966). And, of course, by definition '[t]he copying need not be of every detail so long as the copy is substantially similar to the copyrighted work.' *Comptone Co. v. Rayex Corp.*, 251 F.2d 487, 488 (2d Cir. 1958) . . . .

Novelty Textile Mills, supra, at 1093. Another court has held that a work is substantially similar to a preceeding work when it captures the "total concept and feel" of the first work. *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1110 (9th Cir. 1970), *quoted in Sid and Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1167 (9th Cir. 1977).

However, in applying the "ordinary observer" test, a court must also apply the principles of the law of copyright. One of the most basic of these is the concept that, while one's expression of an idea is copyrightable, the underlying idea one uses is not. *Mazer v. Stein*, 347 U.S. 201, 217 (1954); 17 U.S.C. § 102(b). A corollary to this principle is that when an idea is such that *any* use of that idea *necessarily* involves certain forms of expression, one may not copyright those forms of expression, because to do so would be in effect to copyright the underlying idea. The classic case illustrating this concept is *Kalpakian, supra*. In that case, the court held that plaintiff

could not copyright his version of a jewelled bee pin, because the idea of such a pin was capable of only one expression, and a copyright on his expression would amount to a copyright on the basic idea.

This principle must also apply in less extreme cases in which a creator's expression of an idea includes some forms of expression that are essential to the idea (*i.e.*, forms of expression which cannot be varied without altering the idea) and some forms of expression that are not essential to the idea. In such a case, the latter forms of expression are copyrightable, but the former are not, because if the creator could copyright the essential forms of expression, then others would effectively be barred from using the underlying idea.

This doctrine has been recognized by courts in a variety of situations. In *Rehyer v. Children's Television Workshop*, 533 F.2d 87, 91 (2d Cir. 1976), *cert. denied*, 429 U.S. 980, the court stated that:

> Another helpful analytic concept is that of *scenes a faire*, sequences of events which necessarily follow from a common theme. "[S]imilarity of expression . . . which necessarily results from the fact that the common idea is only capable of expression in more or less stereotyped form will preclude a finding of actionable similarity." 1 *Nimmer* § 143.11 at 626.2; *see* Yankwich, *Originality in the Law of Intellectual Property*, 11 F.R.D. 457, 462 (1951). Copyrights, then, do not protect thematic concepts or scenes which necessarily must follow from certain similar plot situations.

The court in *Alexander v. Haley*, 460 F. Supp. 40, 45 (S.D.N.Y. 1978), held that "incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic" are not protected by the copyright laws. The court listed a number of types of incidents that are not copyrightable in a slave story:

> attempted escapes, flights through the woods pursued by baying dogs, the sorrowful or happy singing of slaves . . . .

> scenes portraying sex between male slaveowners and female slaves and the resentment of female slave owners . . . slave owners complaining about the high price of slaves . . . .

Id. at 45 and n.7.

In *Franklin Mint Corp. v. Nat. Wildlife Art Exchange*, 575 F.2d 62 (3d Cir. 1978), *cert. denied*, 439 U.S. 880, the court considered two paintings of a pair of cardinals. The court noted that:

> There are indeed obvious similarities. Both versions depict two cardinals in profile, a male and a female perched one above the other on apple tree branches in blossom. But there are also readily apparent dissimilarities in the paintings in color, body attitude, position of the birds and linear effect. In one, the male cardinal is perched on a branch in the upper part of the picture and the female is below. In the other, the positions are reversed. In one, the attitude of the male is calm; in the other, he is agitated with his beak open. There is a large yellow butterfly in "Cardinals on Apple Blossom," and none in "The Cardinal." Other variances are found in the plumage of the birds, the foliage, and the general composition of the works.

The court also observed that the nature of the idea, namely a painting of cardinals, necessarily limits the forms of expression that can be utilized in articulating the idea:

> Expert testimony described conventions in ornithological art which tend to limit novelty in depictions of the birds.

Given this, the court said that "[a] pattern of differences is sufficient to establish a diversity of expression rather than only an echo," and the court affirmed the lower court holding of no copyright infringement.

This Court has held that plaintiff is entitled to a copyright on "Asteroids," because the idea of a videogame in which the player shoots his way through a barrage of space rocks is an idea that is sufficiently general so as to permit more than one

form of expression. However, under the doctrine set forth above, the Court must be careful not to interpret plaintiff's copyright as granting plaintiff a monopoly over those forms of expression that are inextricably associated with the idea of such a videogame. Therefore, it is not enough to observe that there are a great number of similarities in expression between the two games. It is necessary to determine whether the similar forms of expression are forms of expression that simply cannot be avoided in any version of the basic idea of a videogame involving space rocks.[2]

There are, as noted *supra*, a number of similarities in the design features of the two games. However, the Court finds that most of these similarities are inevitable, given the requirements of the idea of a game involving a spaceship combatting space rocks and given the technical demands of the medium of a videogame There are certain forms of expression that one must necessarily use in designing a videogame in which a player fights his way through space rocks and enemy spaceships. The player must be able to rotate and move his craft. All the spaceships must be able to fire weapons which can destroy targets. The game must be easy at first and gradually get harder, so that bad players are not frustrated and good ones are challenged. Therefore, the rocks must move faster as the game

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[2] This determination requires a type of close analysis that the court in *Sid & Marty Krofft, supra*, 562 F.2d at 1164-65, rejected as inappropriate in the subjective, "ordinary observer" test for substantial similarity. However, even that court implicitly recognized the reality that the finder of fact must in effect make a detailed comparison of the two works in order to reach a general, subjective conclusion regarding substantial similarity. *Id.* at 1167 n.9. Moreover, the fact that the underlying idea here is a type of videogame, rather than just an idea for a story or a game, raises the possibility that certain forms of expression are required by the medium itself. Given that possibility, a broad-brush observation that the two games have many similar forms of expression is not a sufficient basis on which to conclude that the games are substantially similar.

progresses. In order for the game to look at all realistic, there must be more than one size of rock. Rocks cannot split into very many pieces, or else the screen would quickly become filled with rocks and the player would lose too quickly. All video games have characteristic sounds and symbols designed to increase the sensation of action. The player must be awarded points for destroying objects, based on the degree of difficulty involved.

All these requirements of a videogame in which the player combats space rocks and spaceships combine to dictate certain forms of expression that must appear in any version of such a game. In fact, these requirements account for most of the similarities between "Meteors" and "Asteroids." Similarities so accounted for do not constitute copyright infringement, because they are part of plaintiff's idea and are not protected by plaintiff's copyright.

In light of this conclusion that the similarities in the forms of expression are inevitable, given the idea and the medium, the large number of dissimilarities becomes particularly significant. Given the unavoidable similarities in expression, the Court finds that the ordinary player would regard the aesthetic appeal of these two games as quite different. The overall "feel" of the way the games play is different. In "Meteors" the symbols are more realistic, the game begins with the player's spaceship blasting off from earth, and the player's spaceship handles differently and fires differently. "Meteors" is faster-paced at all stages and is considerably more difficult than "Asteroids."

It seems clear that defendants based their game on plaintiff's copyrighted game; to put it bluntly, defendants took plaintiff's idea. However, the copyright laws do not prohibit this. Copyright protection is available only for expression of ideas, not for ideas themselves. Defendants used plaintiff's idea and those portions of plaintiff's expression that were inextricably linked to that idea. The remainder of defendants' expression is different from plaintiff's expression. Therefore,

the Court finds that defendants' "Meteors" game is not substantially similar to and is not an infringing copy of plaintiff's "Asteroids" game.

Accordingly, for the reasons stated herein, it is this 27th day of November, 1981, by the United States District Court for the District of Maryland, ORDERED:

1. That plaintiff's motion for preliminary injunction BE, and the same IS, hereby DENIED; and

2. That judgment BE, and the same IS, hereby entered in favor of the defendants.

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United States District Judge

APPENDIX H

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

ATARI INC., a corporation,
Plaintiff,

vs.

KEN WILLIAMS, doing business as ON-LINE SYSTEMS,
Defendant.

No. CV-F-81-410 MDC

DEFENDANT'S PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW (SECOND SET)

FINDINGS OF FACT

1. KEN WILLIAMS, doing business as ON-LINE SYSTEMS, has a place of business in Coarsegold, California, and manufactures, distributes and sells computer software and among its products includes computer software for audiovisual computer games.

2. ATARI INC. has a place of business in Sunnyvale, California, and manufactures, distributes and sells computers and those types of computers which use the computer software for audiovisual computer games manufactured by ON-LINE SYSTEMS.

3. Defendant, without admitting infringement, withdrew an opposition to an injunction on its game referred to as "Gobbler" in favor of its "Jawbreaker" game.

4. ATARI INC., by sub-license with Namco-America, a corporation, acquired rights under a copyright for an audiovisual game entitled "Pac-Man."

5. The claimant set forth in the copyright registration is Namco Limited, a Japanese company. The registration of the copyright of "Pac-Man" then lists as the assignor of copyright registration the Midway Manufacturing Corporation, an Illinois corporation.

6. ATARI INC. does not manufacture, distribute, produce or sell computer software for the audiovisual game entitled "Pac-Man."

7. ATARI INC. at this time is trying to perfect a computer software program for the audiovisual game called "Pac-Man" and ~~has not been able to do so at this time but~~ set a target date for reaching the marketplace with its "Pac-Man" game in about the second quarter of 1982.

8. John Harris is the author of the computer program for the audiovisual game of "Jawbreaker."

9. John Harris has granted an exclusive license to KEN WILLIAMS, doing business as ON-LINE SYSTEMS, to publish the audiovisual game of "Jawbreaker."

10. ATARI INC. has not produced, nor do they have in their possession, a computer program for an audiovisual game of "Pac-Man."

11. John Harris independently developed and wrote his program for the audiovisual game of "Jawbreaker" without copying any copyrighted game of ATARI INC.

12. John Harris' game of "Jawbreaker" is not a copy of the ATARI INC. game "Pac-Man," *although he got the idea from viewing "Pac-Man."*

~~*13. Neither ATARI INC. or its alleged predecessor has a computer program of the game of "Pac-Man" from which copying is possible.*~~

14. The Court viewed the audiovisual game introduced by Plaintiff of the "Jawbreaker" game and one of the "Pac-Man" game.

15. The *idea* of both "Jawbreaker" and "Pac-Man" is basically a maze with a number of small objects (dots or circles) aligned within a maze. An object, appearing to be a mouth, referred to herein as an eater, is guided through the

maze by a player and appears to eat the small objects. Within the maze, a plurality of chasers chase the eater through the maze. If the chaser catches the eater before he can eat all of the small objects, the player's score is reduced. However, if the eater can devour all of the small objects in the maze before the chaser catches him, then the player's score is increased. If, at one point, the chaser catches the player, a replay begins. In the maze, at certain spots, a larger (power) object appears in the maze. If this larger object is eaten by the eater, it can then turn and chase the chasers for a specified time, scoring points as they are devoured.

16. The non-similarities between that which is expressed in "Pac-Man" and "Jawbreaker" are as follows:

a. In Plaintiff's game of "Pac-Man", the chasers are in the shape of ghosts which have small legs extending downward and they seem to run along in the maze and travel in the maze in a set pattern in the maze.

In Defendant's game of "Jawbreaker", the chasers are in the form of happy faces which seem to roll along in the maze and travel in a random pattern in the maze while keying in on the object it is chasing.

b. In Plaintiff's game of "Pac-Man", the object which is chased by the chaser is a round-shaped object which has a pie-shaped opening which opens and shuts when it devours dots aligned in the maze.

In Defendant's game of "Jawbreaker", the object which is chased by the chaser is a set of teeth, simulating false teeth, which chomp up and down on small circles aligned in the maze.

c. The colors of the chasers and the eaters used in "Pac-Man" are different than those used in the "Jawbreaker" game.

d. The music played is different in both games and "Pac-Man" has an attract mode which plays prior to each game, and "Jawbreaker" has no attract mode.

e. In Plaintiff's game of "Pac-Man", the eyes of the ghosts look in the direction in which they are travelling.

In Defendant's game of "Jawbreaker", the smiling faces appear to be rolling and will go in any direction, notwithstanding the direction they are facing.

f. In "Pac-Man", the items used to mark scores are cherries, oranges, strawberries, and grapes, while in "Jawbreaker" the items used to score are candycanes, sailboats, and gumdrops.

g. In Plaintiff's game of "Pac-Man", the energizer dots in the maze glow at a constant color, while in the Defendant's game of "Jawbreaker", the energizer dots in the maze are a plurality of rotating different colored smaller dots.

h. The maze in each game is not the same.

i. In Plaintiff's game of "Pac-Man", when the ghosts catch the eater, it appears to melt.

In the Defendant's game of "Jawbreaker", when the smiling faces appear to catch the false teeth, the teeth fall out to the bottom of the maze.

17. Defendant's game of "Jawbreaker" includes many features not found in the Plaintiff's game of "Pac-Man." For example, if the player manipulates his eater in such a method that it devours all the dots before it is caught by the chaser, then a toothbrush appears on the screen and brushes the teeth of the eater. Each of the chasers rotate in a different direction. All four chasers have different faces.

18. No documents were introduced into evidence to show a chain or title or rights from Midway Manufacturing Co., the assignor of Namco Limited, to Namco-America.

19. Defendant has been in the marketplace with its "Jawbreaker" game for a longer period of time than ATARI INC. has been in the marketplace with its "Pac-Man" game.

CONCLUSIONS OF LAW

1. Plaintiff ATARI INC. will suffer no irreparable harm by the sale and marketing of the "Jawbreaker" games by Defendant.

2. There is nothing protectable under the copyright laws as to the "Pac-Man" game itself, and the laws do not protect the strategy of a player symbol being guided through a maze appearing to gobble up dots in its path while being chased through the maze by several opponents. Further, the unprotectable idea includes the rules, strategy and progress of play of the "Pac-Man" game.

3. There is no similarity between the expression of the games of Plaintiff and Defendant because the symbols and graphics of the game are of such that the ordinary observer would not notice the similarity.

~~4. Because ATARI INC. has a sub-license to certain prescribed market areas and Midway Manufacturing Co. has a sub-license to a different prescribed market area, it cannot be said that ATARI INC. has an exclusive license entitling it to maintain this action against the Defendant.~~

5. ATARI INC. has not established a secondary meaning to establish a likelihood of confusion because Plaintiff has not entered the marketplace with its "PAC-MAN" game.

~~6. ATARI INC. cannot rely upon Midway's sales and production of its coin-operated arcade games of "Pac-Man" to show marketplace use when it has no connection with Midway Manufacturing Co. to rely upon.~~

7. There are no similar features between the non-functional features of "Jawbreaker" and "Pac-Man."

8. The balancing of hardships appears to favor the Defendant because Defendant is presently marketing its "Jawbreaker" game, while Plaintiff is not marketing its "Pac-Man" game.

9. There is ~~no~~ little likelihood that the Plaintiff would succeed on the merits at time of trial.

DATED: Dec 28th 1981

M. D. CROCKER
M. D. Crocker
Judge, U.S. DISTRICT COURT

APPENDIX I

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEBRASKA

MIDWAY MFG. CO., an Illinois corporation,

Plaintiff,

vs

DALE DRIKSCHNEIDER and HAROLD PETERSON, individually and d/b/a A-1 MACHINES, a Nebraska proprietorship; GERRIT KRAAYENBRINK, individually and d/b/a SOO VALLEY DIST. CO.; and VENTURE LINE, INC., an Arizona corporation,

Defendants.

CIVIL NO. 81-0-243

MEMORANDUM

APPEARANCES: For Plaintiff —Lindsey Miller Lerman, Omaha, Nebraska; David A. Gerber, Los Angeles, California; Eric C. Cohen, Chicago, Illinois

For Defendants Dale Dirkschneider and Harold Peterson, Individually and doing business as A-1 Machines —Mark Hunter, Omaha, Nebraska

For defendants Gerrit Kraayenbrink, individually and doing business as Soo Valley Distributing Company, and Venture Line, Inc. —Dennis Thomte, Omaha, Nebraska

URBOM, Chief Judge

The plaintiff, Midway Manufacturing Co., is a manufacturer of coin-operated electronic video games. Midway has

obtained copyright registrations on many of these games, including Galaxian, Pac-Man, and Rally-X. The plaintiff alleges that the defendants[1] are engaged in the manufacture, distribution, and sale of video games which are virtually identical to the plaintiff's Galaxian, Pac-Man and Rally-X games. The plaintiff contends that the conduct of the defendants infringes the plaintiff's copyrights, violates the Lanham Act, and violates the Nebraska Deceptive Trade Practices Act. For relief, the plaintiff seeks damages and an injunction prohibiting future infringement.

On April 30, 1981, Judge Robert V. Denney issued an ex parte temporary restraining order [Filing #17]. He also issued an order directing the United States Marshal to impound any allegedly infringing articles in the possession of the defendants [Filing #9]. On May 18, 1981, a hearing was held before Judge Denney on the plaintiff's request for a preliminary injunction [Filing #1]. Upon Judge Denney's hospitalization and death the case has been reassigned to me, and the parties have agreed to my resolving the matter of preliminary relief on the basis of the record already made, but requested oral arguments. Such arguments were held on July 3, 1981, and the issue of preliminary relief is now ready for resolution. The following discussion constitutes this court's findings of fact and conclusions of law on the plaintiff's request for preliminary relief.

I. Findings of Fact.

1. The plaintiff, Midway Manufacturing Co., is an Illinois corporation having its principal place of business at Franklin Park, Illinois. The plaintiff is a designer and manufacturer of coin-operated electronic video games. In the United States, Midway sells its video games to regional distributors who sell

[1] The plaintiff's complaint names Venture Line, Inc., as a defendant. The Court, however, has no personal jurisdiction over Venture Line, Inc. This corporation, therefore, will not be identified as a defendant in this Memorandum Opinion.

the video games to operators. The operators place the machines in arcades and other places for public use. [Tr. 80, 91].

2. Venture Line, Inc. [Venture Line] is an Arizona corporation. Its primary business is the manufacturing of printed circuit boards for coin-operated electronic video games. These printed circuit boards are sold to businesses which manufacture audiovisual games using Venture Line's circuit boards. Venture Line does not manufacture any video games. [Ex. #25, pp. 15, 73-74, 162-62).[2]

3. Defendant Gary Kraayenbrink is the president of Soo Valley Vending, Inc. [Soo Valley Vending]. This corporation has a place of business at 440 Sixth Street, Northwest, Sioux Center, Iowa. Soo Valley Vending was incorporated six or seven years ago and has been in the business of operating coin-operated electronic video games since its formation. [Ex. #26, pp. 6, 8-10, 11].

4. In the latter half of 1980, Soo Valley Vending began to assemble and distribute coin-operated video games under the name Soo Valley Distributing Co. [Soo Valley Distributing]. In April of 1981, Soo Valley Distributing was incorporated. The capitalization of this new corporation was based in part on a payment of $39,000.00 from Soo Valley Vending. This payment did not give rise to any indebtedness on the part of Soo Valley Distributing to Soo Valley Vending. [Ex. #26, pp. 16-18, 19-20, 21-22, 110-14].

5. Soo Valley Distributing is in the business of assembling and distributing coin-operated video games. The printed circuit boards which are incorporated in these games are purchased from a number of sources including Venture Line. The assembled games are either sold to distributors or are placed on routes operated by Soo Valley Vending. [Ex. #26, pp. 6, 8-10, 59, 79-80].

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[2] Unless otherwise indicated, all references are to the plaintiff's exhibits.

6. The relationship between Soo Valley Vending and Soo Valley Distributing has remained close. In addition to operating out of the same building, the corporations share corporate officers and shareholders. Defendant Kraayenbrink is the president of Soo Valley Distributing. Kraayenbrink, his son, Henry, and Harlan Bootsma each own equal shares in both Soo Valley Vending and Soo Valley Distributing, and all three are officers and directors of Soo Valley Distributing and Soo Valley Vending. [Ex. #26, pp. 6, 7-8, 11-12, 14-15, 18-19].

7. Defendants Dale Dirkschneider and Harold Peterson are residents of the State of Nebraska and partners in a partnership operated under the name "A-1 Machines." A-1 Machines has a place of business at 620 South Saddle Creek, Omaha, Nebraska. The business of A-1 Machines includes the operation and distribution of coin-operated electronic video games. A-1 Machines purchases some of the video games it operates and distributes from Soo Valley Distributing. [Ex. #27, pp. 2-4, 5, 9-10; Ex. #28, p. 2].

8. The audiovisual games involved here consist of a cabinet containing electronic circuitry and a television picture tube which serves as a screen upon which the visual images of the game are shown. The electronic circuitry is in the form of printed circuit boards and other electronic components which cause the images of each game to be seen on the screen and generate the sounds of each game. The printed circuit board for each game is loaded with electronic components. These components include computer ships, called ROMs, PROMs and EPROMs by those in the trade.[3] The PROMs store the information which produces the games' images and sounds. This information includes the field on which the game is played, the design of the playing symbols or images seen on the screen, their interactions with one another, and the accompanying

[3] ROMs, PROMs, and EPROMs are hereinafter referred to as "PROMs".

musical and sound effects. A game may be copied by electronically copying the PROMSs. (Tr. 55-56; Ex. #17, ¶ 2; Ex. #25, pp. 29-30, #1; Ex. #26, pp. 25-31).

9. Prior to the insertion of a coin, the video games operate in a repeating attract mode which summarizes each game for prospective players. When a coin is deposited and the start button is depressed, the game shifts into the play mode. In the play mode, some of the playing sumbols or images on the screen are responsive to operation of the player control panel, and others move in a predetermined sequence and interact with the player-controlled images in a preset manner. [Ex. #17, ¶ 3; Ex. #26, p. 36].

10. The market for audiovisual games is very unpredictable. A game's commercial popularity often terminates abruptly after a short period of time. The average game generally would lose its appeal within a year of being introduced on the market. [Ex. #17. ¶ 12].

11. The elements of the Galaxian video game appear on a background star pattern consisting of twinkling colored lights that roll from the top of the screen to the bottom. The game involves a missile-firing rocket ship operated by the player, plus a formation of enemy aliens. The aliens are arranged in a convoy of five horizontal rows. There are four denominations or ranks of aliens, with the highest ranking nearest the player's ship. Each rank has a distinguishing color. The highest ranking alien is shaped like a rocket ship, but the other ranks have flapping wings. Individual aliens unpredictably invert and sweep down to bomb the player's ship. Sometimes the alien attack consists of miniformations involving the alien flagship or chief, as well as flying alien escorts. Whenever a ship is destroyed, a bright explosion appears on the screen, with appropriate sound effects. The player's score is measured by the number and rank of aliens destroyed. [Ex. #17, ¶ 5; Ex. #18].

12. The Galazian video game was created by Namco in 1979, and was first published by Namco on September 15, 1979, in Japan. Midway became aware of Galaxian at a private showing at Namco's offices in Tokyo on October 17, 1979. Because of the game's unique features, Midway decided to acquire rights in the game. [Tr. 82-83; Exs. #11, #12; Ex. #17, ¶ 5].

13. In an assignment dated February 2, 1980, Namco assigned all United States rights in Galaxian to Midway. The consideration for this assignment was the payment of substantial advances and royalties. The amount of payments made through March of 1981 has amounted to approximately 3.5 million dollars [Tr. 83-84; Ex. #10].

14. Since February, 1980, the plaintiff has sold in excess of forty thousand Galaxian video games. Each Galaxian video game has a notice of Midway's claim of copyright, the name of the game, and Midway's name. The notice is affixed near the screen of the video game. [Tr. 99-100, 107; Ex. #17, ¶ 11; Ex. #18].

15. The plaintiff made video tape recordings of the audiovisual presentation of the Galaxian play and attract modes. The video tapes were made in Franklin Park, Illinois. The video tapes and applications to register the copyright on the Galaxian audiovisual work were submitted by Midway to the Copyright Office. A certificate of copyright registration, No. PA59-977, effective March 6, 1980, was issued for the audiovisual work found in the Galaxian's play mode. A second certificate of registration, No. PA68-323, effective May 23, 1980, was issued for the audiovisual work found in the Galaxian's attract mode. [Tr. 94-95; Ex. #11; Ex. #12].

16. The Pac-Man video game centers on a maze which covers the entire screen. The player guides the Pac-Man character through the maze. Points are scored when the Pac-Man eats dots in his path. Four ghost monsters, Inky, Blinky,

Pinky and Clyde, chase after the Pac-Man, trying to capture and deflate him. The Pac-Man can counterattack by eating a big power capsule that enables him to overpower the monsters for additional scores. After all the dots are gobbled up, the screen is cleared, and the Pac-Man game continues for another round. Each round or rack features a special fruit target in the maze, which, if eaten, earns bonus points. Audio and musical effects accompany the play of the game. [Tr. 113; Ex. #17, ¶ 7; Ex. #19].

17. The Pac-Man video game was created by Namco in 1980 and was first published by Namco on May 22, 1980, in Japan.[4] At the invitation of Namco, Midway representatives first viewed the Pac-Man game in Japan on August 13, 1980. This showing convinced Midway's representative that the game's extraordinary presentation made it a good target for acquisition. [Tr. 84-85; Ex. #15; Ex. #17, ¶ 6].

18. An assignment dated October 10, 1980, gave Midway all United States rights in Pac-Man. The consideration for this assignment was the payment of substantial advances and royalties. To date, the plaintiff has paid over 1 million dollars for use of Namco's rights in the Pac-Man and Rally-X video games. [Tr. 86-87; Ex. #13; Ex. #17, ¶ 4].

19. Twenty-five thousand Pac-Man games have been sold by Midway since February, 1980. Each game has a notice of Midway's claim of copyright, the name of the game, and Midway's name. The copyright notice is affixed near the screen and is also contained in the game's attract mode. [Tr. 99-100, 107; Ex. #17, ¶ 11; Ex. #19].

20. A video tape recording of the audiovisual presentations of the Pac-Man attract and play modes was made by the plaintiff in Franklin Park, Illinois. Midway submitted this video

[4] When originally developed by Namco, the game was called "Puck Man." Namco and Midway, however, later agreed that the game would be marketed in the United States under the name "Pac-Man." Tr. 85, 104-051.

tape and an application to register the copyright on the Pac-Man audiovisual work to the Copyright Office. A certificate of copyright registration, No. PA 83-768, effective November 13, 1980, was issued for the audiovisual work found in the Pac-Man attract and play modes. [Tr. 94-95; Ex. #15].

21. Rally-X is a combination maze chase and race game. Each player begins the game with a full fuel tank. The object of the game is to drive a car through the maze clearing various checkpoint flags before the fuel is exhausted. Increasing point values are scored for each checkpoint flag cleared. The player is aided in his race through the maze by a radar screen which shows the position of the checkpoint flags and red pursuit cars. This radar is necessary because, unlike Pac-Man, the entire Rally-X maze is not projected on the screen. Rather, the player only views the area of the maze over which his car is passing. The red pursuit cars try to wreck the player's car. The player can outmaneuver the pursuit cars by releasing a smoke screen that causes the cars to spin and stall. If the pursuit cars run into the player's car, an explosion effect and the word "BANG" appear on the screen. The play of the game is accompanied by sound effects and music. [Tr. 114-15; Ex. #17, ¶ 8, Ex. #20].

22. The creator of the Rally-X game is Namco. The first publication of the game occurred in Japan on October 3, 1980. At the invitation of Namco, Midway representatives first viewed the Rally-X game in Japan on August 13, 1980. Midway's representatives were impressed by the Rally-X's extraordinary presentation and decided that the game was a good target for acquisition. [Tr. 84-85; Ex. #16,; Ex. #17, ¶ 6].

23. An assignment dated October 10, 1980, gave Midway all United States rights in Rally-X. The consideration for this assignment was the payment of substantial advances and royalties. To date, the plaintiff has paid over 1 million dollars for the use of Namco's rights in Pac-Man and Rally-X. [Tr. 86-87; Ex. #14, Ex. #17, ¶ 4].

24. Twenty-five hundred Rally-X video games have been sold by Midway. Each game has a notice of Midway's claim of copyright, the name of the game and Midway's name. The copyright notice appears on the screen after a coin is inserted in the game. [Tr. 99-100, 107; Ex. #17, ¶ 11; Ex. #20].

25. Midway has made a video tape of the attract and play modes of the Rally-X game. This tape was made in Franklin Park, Illinois. This tape and an application to register the copyright on the Rally-X audiovisual work were submitted by Midway to the Copyright Office. A certificate of copyright registration, No. PA88-049, effective January 6, 1981, was issued for the audiovisual work found in the Rally-X attract and play modes. [Tr. 94-95; Ex. #16].

26. The promotion of the Galaxian, Rally-X and Pac-Man games followed Midway's standard marketing procedure. Midway's standard procedure for marketing a new video game includes distributing thousands of brochures for the game to each of Midway's United States distributors. Each brochure is in full color, and contains prominent displays of the name of the game and explicit pictorial and graphic representations of the visual elements of the game. These brochures, in turn, are used by the distributor to advertise and promote the new game to the distributor's customers, who are generally operators.

Midway also places advertisements in trade magazines, such as Replay, Play Meter, Vending Times, Market Place and Canadian Coin Box. The advertisements are similar to Midway's brochures. Midway promotes its new games at national and local trade shows. Finally, Midway distributes promotional items such as mugs and T-shirts. [Tr. 88-89, 90-93; Ex. #17, ¶ 9; Filing #14 attachments].

27. Midway has invested over 20 million dollars in parts, inventory and equipment for the mass production of the Galaxian, Pac-Man and Rally-X video games. [Ex. #17, #10].

28. The defendants' Galactic Invaders games is for all practical purposes identical to the plaintiff's Galaxian game.[8] A few of the specific similarities between the games are discussed below to illustrate the extent to which they are the same. This discussion is not intended to list all the similarities between the games.

The attract mode of these games may be divided into two parts. The first part of the attract mode is a display of the alien attackers and the amount of points scored for destroying them. The shape of the aliens in the Galactic Invaders game is identical to the shape of the aliens in the Galaxian game and the points awarded are the same. In addition, the manner in which these aliens are presented is the same in each game. The only difference between the games in this part of the attract mode is that the defendants' game does not have certain nonessential textual material found in the plaintiff's game.

The second part of the attract mode is a demonstration of how the game is played. The only difference between the games in this part of the attract mode is that the Galaxian demonstration varies, whereas the Galactic Invader demonstration is always the same. This difference is so minute that it would not be noticed unless the games were subject to a side-by side comparison.

In addition to the attract mode, the sound effects of each game are identical. Among the distinctive sound effects common to both games are: the musical sound activated when the play button is pushed; the pulsating sound heard throughout the play mode; the sound heard when the aliens swoop out of the convoy to attack; and the explosion and other sound effects heard when the player's ship is destroyed.

The play modes of each game are also virtually identical. This may be illustrated by placing the player's ship in the center

[8] Unlike the Galaxian, the Galactic Invaders game offered into evidence is not in color. [Ex. #2].

of the screen. If the game is put into the play mode and the player's ship is not moved, each game's aliens, with one minor exception, will attack the player's ship in the same sequence and destroy the ship in the same manner. [Ex. #2; Ex. #18].

29. Soo Valley Distributing manufactures a game called "Kamikaze III" which the plaintiff contends is the same as Galaxian. Although the Court has not had the opportunity to view this game, the evidence presented shows that the games are very similar.

A video tape of a Kamikaze III attract mode shows that the attract mode of this game is virtually identical to the Galaxian attract mode. Other than minor textual differences, the Kamikaze III's manner of presenting the aliens and their respective values is identical to the Galaxian attract mode. The number and shape of the aliens are the same. In addition, the demonstration of the play of the game appears to be the same in each game. The size and configuration of the convoy are the same. The manner in which the aliens leave the convoy to attack is also very similar, although Kamikaze III aliens move faster. Thus, aside from a couple of minor differences, the attract mode of the Galaxian and Kamikaze III are the same.

In the play mode, two features differentiate the play of the Galaxian and the Kamikaze III. First, the Kamikaze III plays faster. This difference in play is reflected in the faster speed of the aliens leaving the convoy and the greater number of bombs released. Second, the number of aliens leaving the convoy at attack is larger in the Kamikaze III game. Aside from these differences, it appears that the Kamikaze III play mode is identical to the Galaxian play mode. [Ex. #18; #24; Ex. #26, pp. 39-42; Ex. #25, pp. 40-53].

30. The defendants' Mighty Mouth game is, for all practical purposes, identical to the plaintiff's Pac-Man game. A few of the specific similarities between the games are discussed below to illustrate the extent to which the games are the same.

This discussion is not intended to list all the similarities between the games.

The attract mode of the Mighty Mouth game contains the only readily apparent differences between the games. The names of the Mighty Mouth characters are different from the names given the Pac-Man characters. The other difference is the speed at which the attract modes run. The Mighty Mouth attract mode runs somewhat faster than the Pac-Man. This difference in speed can only be observed when the games are viewed side-by-side.

In all other respects, the attract modes of each game are identical. The color and shape of the characters of each game are the same. The maze through which these characters move is the same color and configuration. Each game presents these characters in identical fashion. The attract modes demonstration of the games' play is identical. The monster character and the player puck in each game's demonstration moves in the same directions and stop at the same place.

The sound effects of each game are also the same. Several of these sound effects deserve brief mention because of their distinctive qualities. Each game has the same sound effects when the play button is pushed; when the player puck is gobbling dots; and when the player puck is caught by the monster characters.

The progression of play appears to be identical. If the games are placed in the play mode without moving the player's control stick, the monster characters in each game will move along the same routes and will ultimately destroy the player puck in the same manner. In addition, the visual display when the player puck eats a power capsule is the same in each game. When this occurs, the monster characters turn a dark blue and race around the maze. Finally, in each game, a player puck which is caught by a monster character deflates and disappears from the screen. [Ex. #6; Ex. #9; Ex. #19].

31. The defendants' Rally-X game is, for all practical purposes, identical to the plaintiff's Rally-X games. A few of the specific similarities are discussed below to illustrate the extent to which the games are the same. This discussion is not meant to list all the similarities between the games.

The attract mode of each game may be divided into two parts. First, the attract modes contain a description of the rules of the games. Aside from the name of the manufacturer, these displays are the same. Second, the attract modes contain a demonstration of the games' play. The color and shape of the cars and maze are the same in each game. The demonstrations are different in that the cars often follow different routes through the maze. This difference, however, can only be observed if the games are compared side-by-side. In all other respects, the attract modes are the same.

The Rally-X play modes are also very similar. The sound effects accompanying the games' play are the same. Particularly striking are the sound effect which is heard when the play button is pushed and the monotonous melody which is played when the cars are moving. In addition, each game has an explosion with the word "BANG" on it when the player's car is destroyed. This explosion is accompanied by an appropriate sound effect. [Ex. #1; Ex. #7; Ex. #10].

32. Soo Vaalev Distributing has assembled Galactic Invaders, Kamikaze III, Mighty Mouth, and Rally-X video games and convertion kits. The conversion kits were all sold. The video games were sold or were placed on routes operated by Soo Valley Vending. Defendant Kraayenbrink knew that these games were substantially similar to the games manufactured by Midway.[6] He admits that he had received notice of the

[6] Some of the Mighty Mouth games assembled by Soo Valley Distributing had features different from the Mighty Mouth described above. The Mighty Mouth games with the different features were made from Venture Line printed circuit boards. The Court has viewed a video tape of the attract mode of the Venture Line board [Ex. #24]. Although this Mighty Mouth is more distinctive than the Mighty Mouth described above, the game is still similar to the plaintiff's Pac-Man game. [Ex. #23, pp. 124-26].

plaintiff's claim of infringement, but did not cease distributing or operating the allegedly infringing goods. [Ex. #26, pp. 30 35-49, 53-54, 60-61, 62, 63-64, 72-73, 75-76, 77-81, 83-85, 86-88, 89-90, 91, 151, 152, 153-54, 104-05, 107, 109, 142-43, 168-71].

33. On at least one occasion, a customer contacted defendant Kraayenbrink to purchase a conversion kit for a Galaxian game. The defendant's response to such an inquiry was to offer to sell the customer a Galactic Invaders conversion kit. He would tell the potential customer that Galactic Invader was the same thing as a Galaxian. [Ex. #26, p. 136].

34. Soo Valley Distributing and Soo Valley Vending currently own few Galactic Invader, Kamikaze III, Mighty Mouth or Rally-X video games or printed circuit boards. No printed circuit boards are currently on order. [Ex. #26, pp. 60-62, 121, 143-161].

35. Defendants Peterson and Dirkschneider, through their partnership, A-1 Machines, have purchased Galactic Invaders, Mighty Mouth and Rally-X video games from Soo Valley Distributing. Of these games, all but five have been sold. A-1 Machines is currently operating the remaining machines at various locations. The defendants were aware that these games were similar to the games manufactured by the plaintiff. [Ex. #27, pp 14-16, 17, 18, 23-27, 28, 53-54, 55-57, 63; Ex. # 28, pp. 5, 7-9, 13-15, 16].

36. On at least one occasion, a customer called A-1 Machines and asked to purchase a Pac-Man game. Defendant Dirkschneider offered to sell the customer a Mighty Mouth game, explaining that it was similar to the Pac-Man game. The customer ultimately purchased the Mighty Mouth. In Dirkschneider's opinion, one of the selling points of the Mighty Mouth game was its similarity to the Pac-Man game. [Ex. #26, pp. 7-8, 13-14].

37. A-1 Machines currently owns very few Galactic Invaders, Mighty Mouth or Rally-X video games. The partnership has no outstanding orders to purchase any of these games. [Ex. #27, pp. 14-16, 19-20; Ex. #28, pp. 20-21, 25-26].

38. A-1 Machines has received complaints about the performance of its Mighty Mouth game. These complaints came from two young persons who were playing the Mighty Mouth game. They told Dirkschneider that they didn't like the way the game played and that they wanted "a regular factory game." Dirkschneider interpreted this to mean that the customers wanted a Midway game. [Ex. #28, pp. 8, 17-20].

II. The Preliminary Injunction Standard

The determination of whether a preliminary injunction should be issued is entrusted to the discretion of the trial court. The factors which should guide the exercise of this discretion are:

> (1) the threat of irreparable harm to the plaintiff; (2) the state of the balance between this harm and the injury that granting the injunction will inflict on other parties litigant; (3) the probability that plaintiff will succeed on the merits; and (4) the public interest.

Dataphase Systems, Inc. v. C L Systems, Inc., 640 F.2d 109, 113 (8th Cir. 1981). No one of these factors is determinative.[7] The

[7] The interrelationship of these factors is illustrated by the following passage from *Dataphase*:

> In balancing the equities no single factor is determinative. The likelihood that plaintiff ultimately will prevail is meaningless in isolation. In every case, it must be examined in the context of the relative injuries to the parties and the public. If the chance of irreparable injury to the movant should relief be denied is outweighed by the likely injury to other parties litigant should the injunction be granted, the moving party faces a heavy burden of demonstrating that he is likely to prevail on the merits. Conversely, where the plaintiff has raised a substantial question and the equities are otherwise strongly in his favor, the showing of success on the merits can be less.

Id. at 113.

Court will therefore discuss each of these factors as it applies to the plaintiff's various causes of action.[8]

III. Copyright Infringement

A. Probable Success on the Merits

In order to prevail on its claim of copyright infringement, the plaintiff must prove that it is the owner of a valid copyright and that the defendants have performed and distributed games copied from the plaintiff's audiovisual works. *See Ferguson v. National Broadcasting Co.*, 584 F. 2d 111, 113 (5th Cir. 1978); *Novelty Textile Mills v. Joan Fabrics Corp.*, 558 F. 2d 1090, 1092 (2d Cir. 1977); *Testa v. Janssen*, 492 F.Supp. 198, 202 (W.D. Pa.1980). For the reasons discussed below, the Court is of the opinion that the plaintiff has established that it will probably succeed on the merits of its infringement cause of action.

1. Validity of Copyright

Under the Copyright Act, a certificate of copyright registration, obtained within five years of first publication, constitutes "prima facie evidence of the validity of the copyright and of the facts stated in the certificate." 17 U.S.C. § 410(c) (1976). The plaintiff has offered into evidence its certificates of copyright registration for the audiovisual works contained in the Pac-Man, Galaxian and Rally-X games. These copyright registrations were obtained within five years of the first publication of these works. Through this evidence, the plaintiff has made a prima facie showing that its audiovisual works are copyrightable subject matter, that the works are original, that the statutory formalities of registration have been satisfied, and that the plaintiff is the owner of the copyrights. 3 M. Nimmer, Nimmer on Copyright §12.11[A], [B], [C] (1980) [hereinafter cited as "Nimmer on Copyright"]. *See also Dollcraft*

[8] The plaintiff can obtain the relief it requests based on its copyright and Lanham Act claims. The Court will therefore not discuss the plaintiff's state law claim.

Industries, Ltd. v. Well-Made Toy Manufacturing Co.,, 479 F. Supp. 1105, 1114 (E.D. N.Y. 1978). This showing places of the defendants the burden of coming forward with evidence which rebuts the plaintiff's claim to ownership of valid copyrights in its audiovisual works. *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing Co., supra*, 479 F.Supp. at 1114.

The primary challenge to the validity of the plaintiff's copyrights concerns the issue of fixation. The defendant argues that the plaintiff's games are not copyrightable because the games' visual displays are merely ephemeral projections on a cathode ray tube. This contention is without merit.

The defendants' analysis is defective because it fails to take into account the distinction between the *work* which is the subject of copyright protection and the *tangible medium* in which the work is fixed. *See* 1 Nimmer on Copyright § 2.03[C]. *See also Midway Manufacturing v. Arctic International, Inc.*, No. 80 C 5863, Slip op. at 16 n. 5 (N.D. Ill. June 2, 1981). Because of this distinction, a two-step analysis is required to determine copyrightability. First, the Court must determine whether the plaintiff's works fall within one of the copyrightable subject matters enumerated in the Act. 17 U.S.C. § 102(a). Second, the Court must determine whether the work is fixed in a tangible medium of expression.

The plaintiff's games are audiovisual works, and thus are copyrightable subject matter. 17 U.S.C. § 102(a)(6). The Act defines audiovisual works as "works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied." 17 U.S.C. § 101. The subject matter of the plaintiff's copyrights are the games' visual displays and accompanying sound effects. The games' visual displays are a series of related images. These images are intrinsically intended to be projected on a cathode

ray tube my means of elctronic equipment. These characteristics of the plaintiff's games clearly extablish that the plaintiff's works are copyrightable audiovisual works.

Although the plaintiff's games consist of copyrightable subject matter, they are not copyrightable unless they are fixed. The Act provides that copyright protection may be obtained "in original works of authorship *fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.*" 17 U.S.C. §102(a) (emphasis supplied). A work is fixed in a tangible medium of expression "when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration." 17 U. S. C. §101. The Act contains no restrictions on the type of material objects suitable for fixation. *See* 1 Nimmer §§ 2.03 [B][1], 2.09[D][1]. *See also* H. Rep. No. 94-1476, 94th Cong., 2d Sess. 52 (1976) *reprinted in* [1977] U.S. Code Cong. & Ad. News 5665.

Under these statutory provisions, it is clear that the plaintiff's audiovisual works are fixed in the printed circuit boards. The printed circuit boards are tangible objects from which the audiovisual works may be perceived for a period of time more than transitory. The fact that the audiovisual works cannot be viewed without a machine does not mean the works are not fixed. The Court therefore is of the opinion that the plaintiff's audiovisual works are fixed, and thus may be copyrighted.

The defendants' second challenge to the validity of the plaintiff's copyrights focuses on the distinction between an idea and an expression. Under the Act, a copyright holder may not monopolize an idea, but is limited to protecting his expression of an idea. 17 U.S.C. §102(b). *See generally, Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 912-13 (2d Cir. 1980); *Franklin Mint Corp. v. National Wildlife Art Exchange,*

575 F.2d 62, 64-65 (3d Cir. 1978), *cert. denied* 439 U.S. 880 (1978); *Sid & Marty Krofft Television v. McDonald's Corp.*, 562 F.2d 1157, 1163, 1167-69 (9th Cir. 1977). The defendants contend that the plaintiff is attempting to use its copyrights to monopolize an idea. As an example, the defendants suggest that the plaintiff's Galaxian copyright is an attempt to monopolize "the very idea of a video game in which alien ships break away from a convoy to attack a defender ship." Defendants' Brief of May 15, 1981, at p. 7. The Court disagrees.

The plaintiff's copyrights cover the plaintiff's audiovisual expression of various game ideas. This expression includes the distinctive color and design of the space ships and other players, as well as the sounds accompanying the playing of the games. Such expressions of game ideas are an appropiate subject of copyright protection. *See Midway Manufacturing v. Arctic International, Inc., supra*, Slip op. at 13-14, 1 Nimmer on Copyright § 2.18[H][3]. *Cf. Durham Industries, Inc. v. Tony Corp., supra*, 630 F.2d 2d at 914-15 (illustrates how identical games may be expressed in different ways).

In addition to challenging the subject matter of the plaintiff's copyrights, the defendants also raise the issue of whether the plaintiff has complied with the statutory formalities of copyright registration. The Act requires that a copyright applicant submit, "in the case of a work first published outside the United States, one complete copy or phono-record as so published." 17 U.S.C. §408(b)(3). The plaintiff has submitted to the Copyright Office a videotape of each of its games in their attract and play modes. These videotapes were made in the United States.

Videotapes are "copies" within the meaning of that term as defined in the Act. 17 U.S.C. §101. The defendants, however, contend that the videotapes submitted by the plaintiff are not copies of the works as first published in Japan. The defendants have offered no evidence which suggests that the games which were videotaped were not the same as those first published in

Japan. In light of the presumption of validity given to the plaintiff's coprights, the Court is of the opinion that the defendants have failed to prove noncompliance with the requirements of 17 U.S.C. §408(b)(3).

The remaining issues raised by the defendants do not concern the validity of the plaintiff's copyrights. These issues instead concern the question of whether the plaintiff may properly bring this action, even if its copyrights are valid. Since the remaining issues do not directly concern the validity of the copyrights, the presumption of validity which accompanies the copyright registration has no application. These remaining issues, however, are closely related to the validity issue, and will therefore be considered in connection therewith.

A copyright registration is a prerequisite to the institution of an infringement suit. 17 U.S.C. § 411(a). The defendants contend that the plaintiff has failed to satisfy this requirement because no copyright registration has been obtained in the computer programs underlying the plaintiff's games. The basis of this contention is the defendants' argument that the instant action is not a suit to prevent the infringement of the plaintiff's audiovisual works, but is rather a suit to protect the computer programs contained in the games' printed circuit boards. Since the computer programs are not the subject of a copyright registration, the defendants conclude that the plaintiff cannot bring the instant action. A challenge, very similar to the one raised by the defendants, was rejected by the United States District Court for the Eastern District of New York. *Stern Electronics Inc. v. Harold Kaufman, et al.*, No. 80 C 3248, Slip op. at 7-9 (E.D. N.Y. May 22, 1981). For the reasons discussed in *Stern Electronics*, the Court finds that the plaintiff's failure to obtain copyright registrations on the computer programs underlying its audiovisual works does not preclude the plaintiff from bringing a suit to prevent infringement of its audiovisual works.

The defendants' final contention concerns the issue of notice. The Act provides that "[w]henever a work protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section shall be placed on all publicly distributed copies from which a work can be visually perceived, either directly or with the aid of a machine or device." 17 U.S.C. § 401(a). The plaintiff's copyright registration is not prima facie evidence that the notice requirement has been satisfied.[9] The plaintiff therefore has the burden of coming forward with evidence that proper notice has been given. *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing Co., supra,* 479 F.Supp. at 1116.

The plaintiff's Galaxian and Pac-Man games have copyright notices affixed to their cabinets near their viewing screens. In addition, the Pac-Man and Rally-X games have copyright notices which are projected on their cathode ray tubes. The Pac-Man notice is contained in the attract mode. The Rally-X notice appears on the screen after the coins have been inserted but before the play mode commences. The defendants contend that plaintiff has failed to comply with the Act's notice requirements because the plaintiff has failed to place notices on the games' printed circuit boards.

Under the Copyright Act, the copyright notice must be placed "on the copies in such manner and location as to give reasonable notice of the claim of copyright." 17 U.S.C. § 401(c). Although the Act apparently requires fixation on the copies of the works, the proposed regulations for this section provide that the copyright notice requirement is satisfied, for works embodied in printed circuit boards, by including the notice within the visual display of the work or by affixing the notice to the terminal where the work is displayed. 37 C.F.R.

[9] The copyright registration is prima facie evidence that copies published prior to the registration had appropriate copyright notice. *See* 3 Nimmer on Copyright § 12.11[B].

§ 201.20(g)(1) & (3) *reprinted in* 4 Nimmer on Copyright Appendix 3. This proposed regulation clearly comports with the spirit of § 401(c) of the Act since the regulation would place the notice where it would be most likely to be observed by those viewing the work. Although the proposed regulations are not binding on the Court, they do suggest a persuasive interpretation of the requirements of § 401(c). The Court therefore finds that the plaintiff has satisfied the Act's notice requirements for each of its games.

2. Copying of the Plaintiff's Work

The second element of an infringement action is copying of the plaintiff's work. For the purposes of this case, the copying requirement should be divided into two parts. *See* 2 Nimmer on Copyright § 8.01[A]. First, the plaintiff must prove that the defendants' games are copies of the plaintiff's games. In other words, the plaintiff must show that the allegedly infringing games did not have an origin independent of the plaintiff's works. Second, the plaintiff must establish that the defendants' conduct infringed one of the plaintiff's rights enumerated in the Act. In this regard, the plaintiff contends that the defendants infringed its rights to exclusive distribution and performance of its audiovisual works. 17 U.S.C. § 106(3) & (4).

Because of the difficulty of producing direct evidence of copying, a plaintiff in a copyright action generally proves copying "by showing that the person who composed the defendants' work had access to the copyrighted work and that the defendants' work is substantially similar to the plaintiff's." *Ferguson v. National Broadcasting Co., supra,* 584 F.2d at 113. However, if the similarity between the works is so striking that the possibility of independent creation is precluded, a court may find that copying occurred without direct proof of access. *Ferguson v. National Broadcasting Co., supra,* 584 F.2d at 113; *Testa v. Janssen, supra,* 492 F.Supp. at 202-204; *Knickerbocker Toy Co. v. Genie Toys, Inc.,* 491 F.Supp. 526, 528 (E.D. Mo. 1980). In the instant case, the similarities between the works

are so striking that copying may be inferred without direct proof of access.

A comparison of the defendants' games and the plaintiff's games shows that the games are virtually identical. The Court will briefly discuss a few of the similarities between the games.[10]

The plaintiff's Pac-Man game has four characters or monsters which chase the player puck through a maze. These monsters are colored red, pink, aqua and yellow. They have a semicircular shape with feet or legs on the flat, bottom side, and have eyes which look in the direction of their movement. The design of these characters is unique. The monster characters in the defendants' Mighty Mouth game are identical to those in the plaintiff's game.

The plaintiff's Galaxian game has a convoy of aliens approaching the player's defense ship. These aliens are unique in their shape and movement. In formation, the aliens fly with their gently flapping wings toward the defense ship. When the aliens break away from the convoy to swoop down on the defense ship, their wings are extended upward in a stationary position. Although the defendants' Galactic Invaders game offered in evidence is not in color, the shape and movement of its aliens are identical to the plaintiff's game.

The plaintiff's Rally-X game is a chase game in which the player's car is pursued through a maze by several pursuit cars. One way of avoiding the pursuit cars is for the player's car to release a smoke screen which sends the pursuit car into a whimsical spin. The defendants' Rally-X game incorporates a smoke screen escape device and spin-out identical to the plaintiff's.

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[10] The burden on the plaintiff of proving that two works are strikingly similar is a heavy one. To prove similarities are striking, [the plaintiff] must demonstrate that 'such similarities are of a kind that can only be explained by copying, rather than by coincidence, independent creation or prior common source.' " Tetris v. Johnson, *supra*, 693 F.Supp. at 203. The illustrative similarities discussed herein clearly satisfy this heavy burden.

This list of similarities is intended merely to illustrate the extent to which the defendants' games are similar to the plaintiff's. It is not meant to be exhaustive. It cannot be overemphasized that, in virtually every detail, the defendants' games are identical to the plaintiff's. *See Sid & Marty Krofft Television v. McDonald's Corp., supra,* 562 F.2d at 1164. *See also Franklin Mint Corp. v. National Wildlife Art Exchange, supra,* 575 F.2d at 65-66.

In addition to specific similarities, the overall appearance of the games is identical. A reasonable observer, comparing the overall appearances of these games, could only conclude that the defendants' games not only copy plaintiff's ideas, but capture the plaintiff's unique expression of those ideas. *See generally, Durham Industries, Inc. v. Tomy Corp., supra,* 630 F.2d at 911-13; *Sid & Marty Krofft Television v. McDonald's Corp., supra,* 562 F.2d at 1164-65; *Universal Athletic Sales Co. v. Salkeld,* 511 F.2d 904, 907, 908-09 (3d Cir. 1975); *McMahon v. Prentice-Hall, Inc.,* 486 F.Supp. 1296, 1304 (E.D. Mo. 1980); *Dollcraft Industries, Ltd. v. Well-Made Toy Manufacturing, supra,* 479 F.Supp. at 1116-17.

In light of the foregoing discussion, the Court finds that the defendants' games are so strikingly similar to the plaintiff's works that a finding of independent origin is precluded. The Court therefore concludes that the defendants' games are copies of the plaintiff's.

The remaining issue to be resolved is whether the defendants have infringed any of the plaintiff's statutory rights. A copyright holder has the exclusive right to distribute to the public copies[11] of his work, and to perform in public the copyrighted work. Both of the defendants have admitted that

[11] The defendants did not reproduce copies of the plaintiff's work. Rather, they distributed copies of the work. This distribution occurred when the defendants sold games which housed copies of the plaintiff's work. The copies of the work were the printed circuit boards which contained the plaintiff's work and which were manufactured by Venture Line, Inc.

they sold audiovisual games which the Court has found to be virtually identical to the plaintiff's. In addition, they have testified that they have placed these games on routes where they are regularly in use. Based on these admissions, the Court finds that the plaintiff will probably succeed in proving that the defendants have infringed the plaintiff's right to perform and distribute its copyrighted works.[12]

B. Irreparable harm and Balancing of Equities.

Proof of copyright infringement creates a presumption that the copyright holder will suffer irreparable harm. *Novelty Textile Mills v. Joan Fabrics Corp., supra,* 558 F.2d at 1094. The plaintiff has made a strong showing of infringement. Since the defendants have offered no evidence as to the plaintiff's harm, the Court finds that the plaintiff will suffer irreparable harm if an injunction is not issued.

When balancing the equities in a preliminary injunction action, the Court must assess the harm which the injunction would impose on the defendants. The evidence in the instant action suggests that an injunction prohibiting the further distribution or performance of the infringing games would do little harm to the defendants' businesses. The defendants admit that they currently own very few of the infringing games. This evidence suggests that an injunction would have little impact on the defendants' businesses. Moreover, the plaintiff's strong showing of infringement suggests that an injunction would protect the defendants from an ever increasing exposure to liability for damages. *Northwestern Bell Telephone v. Bedco. of Minnesota, Inc.,* 501 F.Supp. 299, 303 (D. Minn. 1980).

[12] This conclusion is not altered by the defendants' lack of knowledge that its games were copies of plaintiff's games, *see* Knickerbocker Toy Co. v. Genie Toys, Inc., *supra,* 491 F. Supp. at 529, or by the fact that the defendants did not themselves make the copies which were distributed or performed. See American International Pictures, Inc. v. Foreman, 576 F.2d 661, 663 n. 1, 664 (5th Cir. 1978).

Balanced against the harm to the defendants is the harm suffered by the plaintiff if the injunction is not issued. Allowing the defendants' infringing activity to continue would cause the plaintiff substantial harm. The popularity of audiovisual games is notoriously short-lived. Despite this fact, the plaintiff has invested large sums of money in the acquisition and development of the games in issue here. Without an injunction, the public interest in the plaintiff's copyrighted works may dissipate before plaintiff is able to vindicate its rights. In such a situation, a preliminary injunction is the only effective means of protecting the copyright. *Stern Electronics v. Harold Kaufman, supra,* Slip op. at 5. *See Dollarcraft Industries, Ltd. v. Well-Made Toy Manufacturing, supra,* 479 F.Supp. at 1117. The Court therefore finds that the balancing of the equities favors the issuing of an injunction.

C. The Public Interest

The Copyright Act evidence a public interest in encouraging creativity by fostering and rewarding creative expression. By granting the plaintiff the relief requested, the Court would be furthering this public interest by rewarding the plaintiff's development of new and challenging audiovisual games. In addition, one court has noted that counterfeits of copyrighted games post a threat to the health of the video game industry. *Stern Electronics, Inc. v. Kaufman, supra,* Slip op. at 6. The Court can conceive of no public interest served by permitting the defendants to engage in the continued distribution and performance of games which are virtual replicas of the plaintiff's games. The Court therefore finds that the public interest would be served by the issuance of an injunction.

D. Summary

The plaintiff has made a strong showing of probable success on the merits. This showing is sufficient to establish that the plaintiff will suffer irreparable harm. Balanced against this harm is the rather insubstantial harm which an injunction will

cause the defendants. Based on these findings, the Court will issue a preliminary injunction prohibiting the defendants from engaging in further infringing conduct.

IV. Lanham Act Violations

A. Probable Success on the Merits

The plaintiff's second cause of action is founded on alleged violations of §43(a) of the Lanham Act. 15 U. S. C. §1125(a). In order to prevail on this cause of action, the plaintiff must prove: (1) that the plaintiff's games have nonfunctional design features; (2) that these design features have acquired secondary meaning; and (3) that defendants' use of these features is likely to cause confusion in the marketplace.[13] *Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1217-21 (8th Cir. 1976), *cert.* denied 429 U.S. 861 (1976). For the reasons discussed below, the Court is of the opinion that the plaintiff will probably succeed on the merits of its Lanham Act cause of action.

1. Nonfunctional Design Features of the Plaintiff's Games.

Although the line between functional and nonfunctional design features is not always bright, certain established principles guide the Court's consideration of this issue. In the *Fruehauf* case, the Eighth Circuit held:

> "Imitation of the physical details and design of a competitor's product may be actionable, if the particular features imitated are 'non-functional' and have acquired a secondary meaning. . . . But, where the features are 'functional' there is normally no right to relief. 'Functional' in this sense might be said to connote other than a trade-mark purpose.
>
> If the particular feature is an important ingredient in the commercial success of the product, the interests in free competition permits its imitation in the absence of a patent

[13] The defendants do not dispute that this suit involves goods affecting interstate commerce.

> or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection."

Id. at 1217-18. This passage, however, does not mean that a design feature is nonfunctional only if it serves no utilitarian function. Rather, the circuit court recognized that a design feature, adopted for identification purposes, may be deemed nonfunctional even if it serves some useful purpose. *Id.* at 1218. *Accord Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 201, 203-04 (2d Cir. 1979). The crucial consideration is whether protection against imitation of the design feature will hinder effective competition. *Truck Equipment Service Co. v. Fruehauf Corp., supra*, 536 F.2d at 1217-21.

The design features in question here are the numerous characters which are found in the plaintiff's games. These characters clearly serve some useful purpose. Without them, the game could not be played. These characters, however, have been given unique shapes and coloring which can only be described as arbitrary embellishments, not essential to the games' operation. *See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., supra*, 604 F.2d at 203 n. 4, 203-04; *Truck Equipment Service Co. v. Fruehauf Corp., supra*, 536 F.2d at 1217-18.

This conclusion is illustrated by an examination of the plaintiff's Pac-Man game. The characters in the Pac-Man game are fanciful creations having no counterparts in reality. These characters could be given any imaginable shape without changing the basic character of the game. A potential competitor, therefore, could market a game whose operational features are

identical to the plaintiff's game without copying the design feature of the plaintiff's characters. Thus, a prohibition against the imitation of the design features of the plaintiff's characters would not hinder effective competition by anyone who wished to market games having operational features identical to the plaintiff's. The Court therefore finds that the shapes and coloring of the characters in the plaintiff's games are nonfunctional.

2. Secondary Meaning

The issue of whether a nonfunctional design feature has acquired a secondary meaning depends on the consuming public's association of that design with goods from a single source. *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1059 (2d Cir. 1969); *see Truck Equipment Service Co. v. Fruehauf Corp., supra*, 536 F.2d at 1220.

> "[A] name, mark, or symbol by long and exclusive use and advertising by one person in the sale of his goods * * * may become so associated in the public mind with such goods * * * that it serves to identify them and distinguish them from the goods * * * of others. When such an association exists, the name, mark, or symbol is said to have acquired a 'secondary meaning,' in which the original user has a property right which equity will protect against unfair appropriation by a competitor." * * *

Truck Equipment Service Co. v. Fruehauf Corp., supra, 536 F.2d at 1219. Secondary meaning may be established by circumstantial evidence. *Faberge, Inc. v. Saxony Products, Inc.*, 605 F.2d 426, 428 (9th Cir. 1979).

The existence of a secondary meaning may be inferred from evidence that the defendants have consciously imitated the nonfunctional design features of the plaintiff's products. *Faberge, Inc. v. Saxony Products, Inc., supra*, 605 F.2d at 428; *RJR Foods v. White Rock Corp., supra*, 603 F.2d at 1060; *Truck Equipment Service Co. v. Fruehauf Corp., supra*, 536 F.2d at

1220 n. 13. This inference is based on the expectation that a businessman would not adopt a specific nonfunctional design feature without a purpose. Since the design feature could not have been adopted because of its functional usefulness, the only reasonable motivation for such conscious imitation would be to take advantage of the secondary meaning associated with the design.[14] Absent proof of other motivation, evidence of conscious imitation is sufficient to create an inference that the imitated design feature did in fact have a secondary meaning.

Applying this analysis to the instant action, the Court finds that the defendants were aware of the existence of the plaintiff's games and of the similarities between their games and the plaintiff's. The games are for all practical purposes identical. The record also reveals that customers who wished to purchase plaintiff's games from the defendants were offered the defendant's games as substitutes. This substitution suggests that the defendants were attempting to take advantage of consumer interest in the plaintiff's games. Based on this evidence, the Court finds that the defendants consciously imitated the nonfunctional design features of the plaintiff's games with the intent to enjoy some of the consumer acceptance of the plaintiff's games. *See generally Fleischmann Distilling Corp. v. Maier Brewing Co., supra* 314 F.2d at 157; *Markel v. Scovill Manufacturing Co.*, 471 F.Supp. 1244, 1252 (W.D. N.Y. 1979) *aff'd without opinion* 610 F.2d 807 (2d Cir. 1979); *Armstrong Cork Co. v. Armstrong Plastic Covers Co.*, 434 F.Supp. 860, 871

[14] The rationale behind this inference was explained in Fleischman Distilling Corp v. Maier Brewing Co., 314 F. 2d 149 (9th Cir. 1963).

> We cannot conclude but that Maier deliberately adopted the name knowing that Black & White was the name and trademark of Buchanan and they must have done so with some purpose in mind. The only possible purpose could have been to capitalize upon the popularity of the name chosen. This popularity, they must have known, would extend to their product because the public would associate the name Black & White with something old and reliable and meritorious in the way of an alcoholic beverage.

Id. at 157. See also Audio Fidelity, Inc. v. High Fidelity Recordings, Inc., 283 F. 2d 551, 558 (9th Cir. 1960).

(E.D. No. 1977); *Mortellito v. Nina of California, Inc.*, 335 F.Supp. 1288, 1292-93 (S.D. N.Y. 1972). This conscious imitation is evidence that the nonfunctional design features of the plaintiff's games had acquired secondary meaning.

A finding of secondary meaning is also supported by the evidence of consumer complaints about the defendants' games. Dale Dirkschneider testified that customers playing his Mighty Mouth games were not satisfied with the games' performance. These customers told Dirkschneider that they wanted "a regular factory game" which Dirkschneider interpreted to mean a Midway game.

This testimony indicates that something about the appearance of the defendants' games suggested to the customers that their money would purchase a type of game action associated with the plaintiff's games. These customers' beliefs could not have been created by the games' cabinets which are not similar to the cabinets used on the plaintiff's games. Since the attract mode of the defendants' games prominently displayed characters identical to those used in the plaintiff's games, it is reasonable to infer that the customers' expectations were in part engendered by the fact that the defendants' games imitated the nonfunctional design feature of the plaintiff's games. This consumer expectation is evidence that the nonfunctional design features of the plaintiff's games had acquired a secondary meaning. *See Harlequin Enterprises Ltd. v. Gulf & Western Corp.*, 503 F.Supp. 647, 649 (S.D. N.Y. 1980).

There is one other factor which suggests that the design features of plaintiff's games have acquired a secondary meaning. The substantial number of games sold by the plaintiff is evidence of secondary meaning. *Truck Equipment Service Co. v. Fruehauf Corp., supra*, 536 F.2d at 1220. Since early 1980, the plaintiff has sold 40,000 Galaxian games, 25,000 Pac-Man games and 2,500 Rally-X games. From these sales, it may be inferred that customers are familiar with the plaintiff's games,

and associate the design features of these games with a single source.[16]

The preceding discussion summarizes the evidence of secondary meaning.[16] This evidence by no means conclusively establishes the existence of secondary meaning. Although the issue is a close one, the Court is of the opinion that the plaintiff has represented sufficient evidence to establish that it will probably succeed in proving that the nonfunctional design features of its games have acquired secondary meaning.

3. Likelihood of Confusion

The determination of whether the defendant's conduct is likely to cause confusion depends upon the perceptions of the reasonable consumer. *See RJR Foods, Inc. v. White Rock Corp., supra,* at 1060; *Armstrong Cork Co. v. Armstrong Plastic Covers Co., supra,* 434 F.Supp. at 671.[17] The plaintiff must show that the defendants' use of the plaintiff's game characters is likely to confuse a reasonable consumer about the source of the defendants' games or the plaintiff's connection with them.

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[16] This conclusion is reinforced by the operational characteristics of the plaintiff's games. Each game has an attract mode which prominently displays the games' characters. This display of the games' characters makes it more likely that the public would associate the characters with games made by the plaintiff. The significance of the attract mode is considered in greater detail in the Court's discussion of likelihood of confusion.

[16] Advertising is another factor which is relevant to resolving the issue of secondary meaning. Truck Equipment Service Co. v. Fruehauf Corp., *supra,* 536 F.2d at 1220. The plaintiff has offered evidence of its substantial advertising campaigns designed to promote its games. This advertising was directed primarily at distributors who purchase games from the plaintiff. The plaintiff, however, does not appear to contend that its games' design features have acquired secondary meaning among distributors. Rather, the plaintiff contends that the games' design features have secondary meaning among those persons who actually play the games. Advertising directed at distributors is of little probative value in proving secondary meaning recognized by ultimate consumers.

[17] The *Armstrong* case is a trademark infringement action under 15 U.S.C. § 1114(1). Although the current action involves a claim under 15 U.S.C. §1125(a), cases such as *Armstrong* provide authority for assessing the likelihood of confusion in the instant action. *See generally,* Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc., 633 F.2d 746, 753 n. 7 (8th Cir. 1980).

See Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., supra, 604 F.2d at 204-05. Whether the plaintiff has satisfied this burden depends upon a variety of factors, no one of which is determinative. *SquirtCo v. Seven-Up Co.,* 628 F.2d 1086, 1091 (8th Cir. 1980).

The strength of plaintiff's mark is one factor which should be considered in assessing the likelihood of confusion. *SquirtCo v. Seven-Up Co., supra,* 628 F.2d at 1091. If the plaintiff's mark has strong secondary meaning in the public's mind, the defendants' use of that mark is likely to cause greater confusion than the use of a weaker mark would cause. In the instant case, the showing of secondary meaning does not suggest that the plaintiff's mark has a strong secondary meaning among the consuming public. The weakness of the plaintiff's mark, however, does not mean that likelihood of confusion cannot be proven. Rather, it means that a strong showing on the other factors must be made if the plaintiff is to prevail. *Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc.,* 616 F.2d 440, 445-46 (9th Cir. 1980). The plaintiff has clearly made such a showing.

One factor which should be considered in assessing the likelihood of confusion is the similarity of the design features used by the parties. The design of the defendants' game characters is virtually identical to the design of the plaintiff's game characters. Because of this striking similarity, the overall impression created by the defendants' characters is indistinguishable from the impression conveyed by the plaintiff's characters. *SquirtCo v. Seven-Up Co., supra,* 628 F.2d at 1091; *RJR Foods, Inc. v. White Rock Corp., supra,* 603 F.2d at 1060. This similarity strongly suggests that the defendants' use of the plaintiff's design features would cause confusion in the marketplace.

The risk of confusion created by the striking similarity of the design features is exacerbated by the manner in which these

games operates.[18] Each of the parties' games has an attract mode, which is a display continuously shown on the cathode ray tube whenever the game is attached to a power source and not in the play mode. The attract mode is designed to entice passersby into playing the game. The game's characters are prominently displayed in the attract mode.

The attract modes of the plaintiff's and defendants' games are identical in their overall appearance. The attract modes of the defendants' games imitate not only the design features of the plaintiff's game characters but also the plaintiff's manner of presenting these characters. For example, in both the plaintiff's Pac-Man game and the defendants' Mighty Mouth game, the attract mode features the game characters and their nicknames in a vertical column. Although the names given the characters in defendants' games are different from plaintiff's, the general impression created by the presentation is the same. After the characters are introduced, a number of them engage in a chase underneath the column of characters and nicknames. This chase is identical in both games.

The operation of the attract mode enhances the likelihood of confusion from the defendants' use of characters identical to the plaintiff's. A person interested in playing a game must make his choice based on the attract mode. Since the defendants' attract mode features characters identical to the plaintiff's and presents these characters in a manner very similar to the plaintiff's, the ordinary consumer viewing the attract mode would likely think the game being advertised was the plaintiff's. In other words, the ordinary consumer would likely be confused about the source of the game.

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[18] "Similarity of the marks . . . must be considered as they are encountered in the marketplace. Although similarity is measured by the marks as entities, similarities weigh more heavily than differences." *AMP, Inc.*, 599 F. 2d at 351. The comparison should be made "in light of what occurs in the marketplace," taking into account the circumstances surrounding the purchase of the goods.

Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc., *supra*, 616 F. 2d at 444.

An additional factor which should be considered is the degree of care likely to be used by potential customers. *SquirtCo v. Seven-Up Co., supra,* 628 F.2d at 1091; *RJR Foods, Inc. v. White Rock Corp., supra,* 603 F.2d at 1061. The cost of playing the parties' games is a quarter. This alone suggests that customer care would not be particularly keen. In addition, the atmosphere surrounding the games in their normal setting indicates that a customer would not be likely to scrutinize a game with such intensity that he would be able to distinguish the plaintiff's and defendants' games. This lack of consumer care is further evidence that there is a likelihood of confusion in the marketplace.

Two other factors which are related to the degree of consumer care deserve brief mention. These factors are degree of similarity between the parties' products and the competitive proximity of the products. *Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc., supra,* 616 F.2d at 445; *Markel v. Scovill Manufacturing Co., supra,* 471 F.Supp. at 1250-51, 1252. When the parties' products are similar, defendants' use of the plaintiff's mark is likely to cause greater confusion than when dissimilar products are involved. The likelihood of confusion is further increased if the parties' products are distributed through similar channels of trade to the same ultimate customers. In the instant case, the parties' games are identical and are distributed through similar trade channels. These facts are further proof of likelihood of confusion.

Actual incidents of consumer confusion is another important factor which should be considered. Although actual confusion is not an essential element of a Lanham Act cause of action, it is positive proof of likelihood of confusion. *SquirtCo v. Seven-Up Co., supra,* 628 F.2d at 1091; *Markel v. Scovill Manufacturing Co., supra,* 471 F.Supp. at 1251. *See also Truck Equipment Service Co. v. Fruehauf Corp., supra,* 536 F.2d at 1220-21. The Court has already discussed the consumer complaints received by Dirkschneider. These complaints in-

dicate that some customers placed their money in the defendants' games expecting that the games would perform like the plaintiff's. These complaints are evidence of actual consumer confusion and provide further proof that the defendants' conduct is causing a likelihood of confusion in the marketplace.

The final factor relevant to the issue of likelihood of confusion is the defendants' conscious imitation of the plaintiff's game characters.[19] *RJR Foods, Inc. v. White Rock Corp., supra,* 603 F.2d at 1060. *See also Truck Equipment Service Co. v. Fruehauf Corp., supra,* 536 F.2d at 1220. In the instant action, the defendants had knowledge of the plaintiff's games and used characters in their games identical to the characters used by the plaintiff. This conduct suggests that the defendants were seeking to capitalize on the public recognition of the plaintiff's characters. The defendants' intent to capitalize gives rise to an inference that the defendants were successful in capitalizing on the plaintiff's reputation by confusing the public. *Markel v. Scovill Manufacturing Co., supra,* 471 F.Supp. at 1252; *D C Comics, Inc. v. Powers,* 465 F.Supp. 843, 848 (S.D. N.Y. 1978). Thus, the defendants' conscious imitation is evidence of likelihood of confusion.

The evidence of likelihood of confusion is substantial. The Court therefore finds that the plaintiff will probably succeed in proving that the defendants' use of the plaintiff's game characters is likely to cause confusion in the mind of the average consumer.

B. Irreparable Harm and Balancing of the Equities.

The plaintiff need not present specific evidence of irreparable harm. Once the plaintiff proves the tendency of the defendants' conduct to deceive, the requirement of irreparable harm is satisfied. *Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc., supra,* 633 F.2d at 753; *Markel v. Scovill Manufacturing Co., supra,* 471 F.Supp. at 1254. The plaintiff has clearly established a tendency to deceive.

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[19] The issue of intent is thoroughly discussed in the Court's consideration of secondary meaning.

The Court's prior discussion of the competing equities in this case is also applicable to the plaintiff's cause of action under the Lanham Act. Without a preliminary injunction, the plaintiff will continue to be injured by the defendants' exploitation of the plaintiff's reputation and goodwill. *See Black Hills Jewelry Manufacturing Co. v. Gold Rush, Inc., supra,* 633 F.2d at 753. Since the defendants will not suffer substantial hardship, the Court finds that the balancing of the equities favors the issuance of an injunction.

C. Public Interest

One of the policies underlying § 43(a) of the Lanham Act is the protection of consumers from misleading descriptions of products.

> Since § 43(a) was passed as a consumer protection statute, the courts are not reluctant to allow a commercial plaintiff to obtain an injunction even where the likelihood of pecuniary injury to the plaintiff may be slight. Thus, under § 43(a), Congressional policy appears to encourage commercial companies to act as the fabled "vicarious avenger" of consumer rights. An injunction, as opposed to money damages, is no windfall to the commercial plaintiff. An injunction protects both consumers and the commercial plaintiff from continuing acts of false advertising. The fact that §43(a) was passed to protect consumers as well as competitors is illustrated by the rule that a likelihood of consumer confusion is sufficient for injunctive relief. An injunction protects the consumer from continued false advertising.

Id. at 753 n. 7 *quoting* J. McCarthy, Trademarks & Unfair Competition §27:5A at 250-51 (1973). The plaintiff has made a substantial showing that the public is likely to be confused. Thus, an injunction in the instant case would further the public interest by protecting consumers from the danger of confusion created by the defendants' products.

D. Summary

The plaintiff has made a substantial showing that it will probably succeed in proving that its game characters are

nonfunctional, and that the defendants' use of the characters creates a likelihood of confusion. Although the evidence of secondary meaning is not as substantial, this does not preclude the Court from issuing a preliminary injunction.

The record contains overwhelming evidence of the likelihood of confusion caused by the defendants' products. This confusion is evidence of the substantial injury which both the plaintiff and public will suffer if a preliminary injunction is not issued. In light of this injury, the Court is of the opinion that the plaintiff has made a sufficient showing that it will probably succeed in proving secondary meaning.[20] The Court therefore finds that the plaintiff is entitled to a preliminary injunction prohibiting the defendants from further violations of the Lanham Act.

An Order will be issued contemporaneously with this Memorandum Opinion.

Dated this 15th day of July, 1981.

Warren K. Upham
Chief Judge

FILED
District of Nebraska
at _____
JUL 15 1981
William L. Olson, Clerk
By_____Deputy

[20] [T]he court ordinarily is not required at an early stage to draw the fine line between a mathematical probability and a substantial possibility of success. This endeavor may, of course, be necessary in some circumstances when the balance of equities may come to require a more careful evaluation of the merits. But where the balance of other factors tips decidedly toward plaintiff a preliminary injunction may issue if plaintiff has raised questions so serious and difficult as to call for more deliberate investigation.

Dataphase Systems, Inc. v. C L Systems, Inc., *supra*, 640 F.2d at 113. *See also* note 1 *supra*.

APPENDIX J

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C. 20436

In the Matter of

CERTAIN COIN-OPERATED AUDIO-VISUAL GAMES AND COMPONENTS THEREOF | Investigation No. 337-TA-87

COMMISSION ACTION AND ORDER

Introduction

On May 22, 1980, Midway Mfg. Co., 10750 West Grand Avenue, Franklin Park, Illinois, filed a complaint with the U.S. International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). An amendment to the complaint was filed on July 9, 1980. The amended complaint alleges unfair methods of competition and unfair acts in the unauthorized importation of certain coin-operated audio-visual games into the United States, or in the unauthorized sale of such articles in the United States based upon common-law trademark infringement, passing off, imitation of trade dress, and false designation of origin. The complaint alleges that the effect or tendency of these unfair acts and methods of competition is to substantially injure an industry, efficiently and economically operated, in the United States.

On June 19, 1980, the Commission voted to institute an investigation regarding Midway's complaint. On June 20, 1980, a notice of investigation was issued and thereafter published in the *Federal Register* (45 F.R. 42891, June 25, 1980). On October 8, 1980, the notice of investigation was amended to add a count of copyright infringement.

Eight foreign and twelve domestic respondents were named in the original notice of investigation. Since institution of the investigation, several motions to add and/or terminate respondents have been granted by the Commission. The following respondents still remained in the investigation at the time the record was certified to the Commission:

1. Active Amusement Co.
2. Artic Electronics Co., Ltd.
3. Arjay Export Co.
4. Bonanza Enterprises, Ltd.
5. Chens International, Inc.
6. Circle International, Inc.
7. En'sco Co., Ltd.
8. Fuso Corp.
9. General Vending Sales Corp.
10. Hoei Sangyo
11. Hobby Industries, Ltd.
12. I.J.S., Inc.
13. International Trademarks
14. KEK Industries
15. Kyugo Co., Ltd.
16. Miyabi Inc., d/b/a Compu Game, Inc.
17. Nihon Bussan Co., Ltd., a/k/a Nichibutsu
18. Stan Rousso, Inc.
19. Taito of Japan
20. T.T. Sales & Service, a/k/a Enterprise, Inc.
21. Wesco Co.

The names of the games at issue are the following: Moon Alien, Cosmic Alien, Fuso Karateco, Hoei Galaxy, Kyugo Galaxy, Fuso Galaxian, and Artic Galaxian.

The complainant in this investigation, Midway Mfg. Co. (Midway), is an Illinois corporation engaged in the business of manufacturing coin-operated audio-visual games and components thereof. Galaxian is Midway's trademark for its coin-operated audio-visual game.

In her recommended determination, filed on January 12, 1981, the Commission administrative law judge (ALJ) recommended that the Commission determine that there is a violation of section 337 by reason of unfair acts in the importation of certain games into the United States or in their subsequent sale, the effect or tendency of which is to injure substantially an industry efficiently and economically operated in the United States. The ALJ recommended that the following respondents be found in violation of section 337: Hoei Sangyo; Nihon Bussan Co., Ltd. (Nichibutsu); Artic Electronics Co., Ltd.; Fuso Corp.; Kyugo Co., Ltd.; Chens International, Inc.; Arjay Export Co.; I.J.S., Inc.; General Vending Sales Corp.; Taito Corp.; Stan Rousso, Inc.; Compu-Game, Inc. (Myabi); M. Enterprise, Inc., (T.T. Sales & Service), and Circle International. The ALJ also recommended that the Commission find no violation of section 337 as to 10 other respondents.[1] The ALJ found that respondents Hoei Sangyo et al., listed above, committed some or all of the following unfair acts: (1) common-law trademark infringement, (2) false designation of origin, (3) simulation of trade dress, and (4) copyright infringement.[2]

The Commission held a public hearing regarding exceptions to the ALJ's recommended determination, and on relief, bonding, and the public interest on March 16, 1981. Posthearing briefs were filed by complainant and by the Commission investigative attorney (CIA). A request to suspend the investigation was filed by Richard Kinney, Esq., to which complainant and the CIA filed responses in opposition. The request was denied.

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[1] Hobby Industries, Ltd.; En'sco Co., Ltd.; Universal Co., Ltd.; Universal U.S.A., Inc.; Wesco Co.; Active Amusement Co.; International Trademarks; Bonanza Enterprises, Inc.; KEK Industries, Inc.; and Sunrise New Sound, Inc.

[2] The issues listed in the notice of investigation (as later amended) were passing off, (4) misappropriation of trade dress, and (5) copyright infringement.

Because of the complexity of the copyright issue, the Commission published a Notice of Request for Further Briefing on May 4, 1981. As a result of the notice, the Commission received 15 amicus briefs on the copyright question.[3]

On June 9, 1981, at a public meeting, the Commission unanimously determined that there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the importation and sale of certain coin-operated audio-visual games, kits and components thereof which infringe complainant's copyrights or common-law trademark or bear false designation of origin as to manufacturer. The Commission unanimously determined that an exclusion is the appropriate remedy. The Commission also unanimously determined that public interest considerations do not preclude the granting of an exclusion order in this investigation and that a bond of 54 percent of the c.i.f. value of the imported articles is appropriate during the Presidential review period.[4]

Action

Having reviewed the record compiled in investigation No. 337-TA-87 and the recommended determination of the ALJ, the Commission, on June 9, 1981, determined—

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[3] Briefs were submitted by the following: Richard Kinney, Esq., Richard H. Stern, Esq., and Jeffrey L. Squires, Esq.; Harold L. Novick, Esq.; Sega Enterprises, Inc., and Gremlin Industries Inc., (Sega/Gremlin); Omni Video Games, Inc., and Ferncrest Distributors, Inc.; Intel Corp.; Arthur L. Levine, Esq.; Finnegan, Henderson, Farabow, Garrett & Dunner; IBM; Kaye, Scholer Fierman, Hays & Handler; Williams Electronics, Inc.; and Atari, Inc.

[4] The Commission also voted to deny the joint motion of complainant and respondent Nichibutsu to terminate Nichibutsu as a party respondent based upon a consent order agreement.

1. To deny the joint motion to terminate respondent Nichibutsu as a party respondent;

2. That there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) in the importation and sale of certain coin-operated audio-visual games, kits and components thereof which infringe complainant's copyright, common-law trademark, or bear false designation as to manufacturer, the tendency of which is to substantially injure an industry, efficiently and economically operated, in the United States;

3. That the appropriate remedy for such violation of section 337 is an exclusion order, pursuant to subsection (d) of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337(d)), preventing the importation of certain coin-operated audio-visual games, kits and components thereof as follows:

A. Exclusion of the following coin-operated audio-visual games and kits and components therefor which infringe the complainant's copyrights in the attract mode of the Galaxian game and the first few moments of the play mode of that game: (1) Moon Alien, (2) Kyugo Galaxy, (3) Hoei Galaxy, (4) Taito Galaxian, (5) Karateco and Fuso Galaxian, and (6) Artic Galaxian.

B. Exclusion of coin-operated audio-visual games, kits or components thereof which infringe Midway's common law trademark through the use of the names Galaxian, Galaxy or Galaxip or which bear a false designation of origin.

4. That the public interest factors enumerated in subsection (d) of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337(d)) do not preclude the issuance of an exclusion order in this investigation; and

5. That, as provided in subsection (g)(3), of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337(g)(3)) the appropriate bond during the period this matter is pending

before the President is in the amount of 54 percent of the c.i.f. value of the imported articles.

Order

Accordingly, it is hereby ORDERED THAT—

1. The joint motion (Motion 87-16) of complainant and respondent Nihon Bussan Co., Inc., d/b/a/ Nichibutsu to terminate Nichibutsu as a party respondent on the basis of a consent order agreement is denied;

2. Certain coin-operated audio-visual games, kits and components thereof which infringe complainant's attract mode and the first few moments of the play mode before the player takes control of the game are excluded from entry into the United States—specifically, Moon Alien, Kyugo Galaxy, Hoei Galaxy, Taito Galaxian, Karateco and Fuso Galaxian, and Artic Galaxian.

3. All games, kits and components which infringe complainant's trademark or bear false designation of origin are excluded from entry into the United States.

4. The articles to be excluded from entry into the United States shall be entitled to entry under bond in the amount of 54 percent of the c.i.f. value of the imported articles from the day after this order is received by the President pursuant to subsection (g) of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337(g)) until such time as the President notifies the Commission that he approves or disapproves this action, but, in any event, not later than 60 days after the date of receipt;

5. Notice of this Action and Order be published in the *Federal Register*;

6. A copy of this Action and Order, and of the Commission opinion in support thereof be served upon each party of

record to this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury; and

7. The Commission may amend this Order in accordance with the procedure described in rule 211.57 of the Commission's *Rules of Practice and Procedure* (46 F.R. 17533, Mar. 18, 1981).

By order of the Commission.

KENNETH R. MASON
Secretary

Issued: June 25, 1981

OPINION OF THE COMMISSION

1. PROCEDURAL HISTORY[1]

On May 22, 1980, Midway Mfg. Co., 10750 West Grand Avenue, Franklin Park, Illinois, filed a complaint with the U.S. International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). An amendment to the complaint was filed on July 9, 1980. The amended complaint alleges unfair methods of competition and unfair acts in the unauthorized importation of certain coin-operated audiovisual games into the United States, or in the unauthorized sale of such articles in the United States based upon common-law trademark infringement; passing off,[2] imitation of trade dress,[3] and false designation of origin. The complaint alleges that the effect or tendency of these unfair methods of competition and unfair acts is to substantially injure an industry, efficiently and economically operated, in the United States.

Complainant seeks cease and desist orders against the domestic respondents and an exclusion order against the allegedly offending imported games and kits (i.e., circuit boards).

On June 19, 1980, the Commission instituted an investigation based on Midway's amended complaint. On June 20, 1980, a notice of investigation was issued and thereafter

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[1] In this opinion, the following abbreviations will be used: ALJ means the Administrative Law Judge. RD means Recommended Determination of the ALJ. CX means exhibit filed with the complaint. CPX means complainant's physical exhibit. IA means Commission Investigative Attorney. tr. means transcript of hearing before the Commission on March 16, 1981. TR. 1 means transcript of temporary exclusion order hearing.

[2] This count was subsequently waived by complainant and therefore the Commission need not address this issue. (Complainant's Pre-hearing Brief, p. 5, Aug. 11, 1980.)

[3] This count was also waived by complainant and thus will not be considered by the Commission. (Complainant's Brief, p. 2, Dec. 30, 1980.)

published in the *Federal Register* (45 F.R. 42891, June 25, 1980). On October 8, 1980 on complainant's motion, the notice of investigation was amended to add a count of copyright infringement.

Eight foreign and 12 domestic respondents were named in the original notice of investigation. Since institution of the investigation, several motions to add and/or terminate respondents have been granted by the Commission.[4]

Seven respondents filed responses or answers to the complaint and three parties appeared at the prehearing conference on July 25, 1980.

The following respondents remained in this investigation at the time the record was certified to the Commission:

1. Active Amusement Co.
2. Artic Electronics Co., Ltd.
3. Arjay Export Co.
4. Bonanza Enterprises, Ltd.
5. Chens International, Inc.
6. Circle International, Inc.
7. En'sco Co., Ltd.
8. Fuso Corp.
9. General Vending Sales Corp.
10. Hoei Sangyo
11. Hobby Industries, Ltd.
12. I.J.S., Inc.
13. International Trademarks
14. KEK Industries
15. Kyugo Co., Ltd.
16. Miyabi Inc., a/k/a Compu Game, Inc.
17. Nichibutsu, a/k/a Nihon Bussan Co., Ltd.
18. Stan Rousso, Inc.

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[4] On March 3, 1981, the Commission granted a motion to terminate the investigation as to respondents Universal U.S.A., Universal Co., Ltd., and Sunrise New Sound, Inc.

19. Taito of Japan
20. T.T. Sales & Service, a/k/a M. Enterprise, Inc.
21. Wesco Company

The games at issue are Moon Alien, Cosmic Alien, Hoei Galaxy, Kyugo Galaxy, Fuso and Karateco Galaxian, Artic Galaxian. The kits are Wesco Galaxian Kit, KEK Galaxian Kit, Hobby Galaxian Kit, and En'sco Galaxian Kit.

The ALJ has recommended that the Commission determine that there is a violation of section 337 by the following respondents: Hoei Sangvo, Nihon Bussan Co., Ltd., a/k/a Nichibutsu, Artic Electronics Co., Ltd., Fuso Corporation, Kyugo Company, Ltd., Chens International, Inc., Arjay Export Co., I.J.S., Inc., General Vending Sales Corp., Taito Corporation, Stan Rousso, Inc., Compu-Game, Inc. (Miyabi), M. Enterprise, Inc. a/k/a T.T. Sales & Service, and Circle International. The ALJ also recommended that 10 other respondents be dismissed.[5] The ALJ found that each of the respondents listed above committed one or more of the following unfair acts: (1) common law trademark infringement, (2) false designation of origin, (3) simulation of trade dress, and, (4) copyright infringement.

Only the IA filed exceptions to the R.D.[6]

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[5] Hobby Industries, Ltd., En'sco Co., Ltd., Universal Co., Ltd., Universal U.S.A., Inc., Wesco Co., Active Amusement Co., International Trademarks, Bonanza Enterprises, Inc., KEK Industries, Inc., and Sunrise New Sound, Inc. As noted in footnote 4, *supra*, Universal U.S.A., Universal Co., Ltd., and Sunrise New Sound have already been dismissed.

[6] IA Pre-hearing Brief (p. 8). The Commission investigative attorney disagrees with and takes exception to that part of the R.D. which finds that:

1. Respondents Nichibutsu, General Vending, and I.J.S. violated section 337 by infringing both of complainant's copyrights, by the manufacture and sale of The Moon Alien Game.

(Footnote continued on following page)

Because of the complexity of the copyright issue, the Commission published a notice of request for further briefing on May 4, 1981 As a result of that Notice, the Commission received fifteen *amicus* briefs on the copyright question[7]

II. PRELIMINARY ISSUE

On November 19, 1980, complainant and respondent Nichibutsu, Ltd., filed a motion to terminate as to Nichibutsu based upon a proposed consent order and a proposed consent order agreement. The IA opposed that motion because he was not a party to the negotiations. Both section 211.20(b) of the Commission's Rules of Practice and public policy considerations suggest participation of the IA in consent settlements. We see no compelling reason in this investigation to disregard that rule. Accordingly, the motion to terminate respondent Nichibutsu is denied.[8]

(Footnote continued from preceding page)

2. Respondent Circle misrepresented the origin of the Kyugo Galaxy game, and that respondents Circle and Kyugo infringed a Midway copyright.

3. Respondents Hoei Sangyo, Stan Rousso, Inc., and Compu-Game have infringed Midway's common law trademark, simulated the trade dress of Midway's Galaxian game, falsely designated the origin of the games, and infringed Midway's two copyrights by the manufacture and sale of the Hoei Galaxy Game.

[7] Briefs were submitted by the following: Richard Kinney, Esq., Richard H. Stern, Esq. and Jeffrey L. Squires, Esq.; Harold L. Novick, Esq.; Sega Enterprises, Inc. and Gremlin Industries Inc., (Sega/Gremlin); Omni Video Games, Inc. and Ferncrest Distributors, Inc.; Intel Corp.; Arthur J. Levine, Esq.; Finnegan, Henderson, Farabow, Garrett & Dunner; IBM; Kay, Scholer Fierman, Hays & Handler; Williams Electronics, Inc.; and Atari, Inc.

[8] Chairman Alberger and Commissioner Stern would have provisionally granted the joint motion to terminate pending publication of a notice of the settlement terms and an opportu-

(Footnote continued on following page)

III. FACTUAL BACKGROUND

The products involved in the investigation are certain coin-operated audiovisual games and kits. The "Galaxian" game was introduced by Namco, Ltd., the Japanese company that created the game, at a trade fair of the Japan Amusement Trade Association in Tokyo in October 1979. (TR 367.) The game became popular almost immediately in Japan. (TR 37.)

Shortly after the introduction of the Galaxian game in Japan, on November 13, 1979, Midway purchased from Namco the exclusive right to manufacture and sell the Galaxian game in the United States. (CX 25.) The license agreement includes the "attract mode" for the game, and the game itself (the "play mode"). As part of the license agreement with Namco, Midway agreed to make no changes in the game itself, and only a few minor changes, expressly agreed to by Namco, could be made in the trade dress of the game.

The Galaxian game has both a "play mode" and an "attract mode." The attract mode is a short sequence of images designed to attract potential players to the game and to encourage them to play it. The attract mode is silent and begins with the display on the screen

> We are the Galaxians
> Mission: Destroy Aliens

Thereafter a "score advance table" appears on the screen showing the point value to the player of each alien destroyed. The remainder (approximately 25 seconds) consists of a simu-

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(Footnote continued from preceding page)

nity for public comment. The general rule set forth by the Administrative Procedure Act in 5 U.S.C. 556(c)(1) that an "agency shall give all interested parties opportunity for the submission and consideration of . . . offers of settlement" should be governing under the facts of this case. They find that the proposed consent order agreement on its face is not contrary to the public interest.

lated game, which ends with the destruction of the player's rocket base defense ship.

Once a coin is inserted the game enters the "play mode" in which the player controls the lateral movement of the defense ship and fires missiles at the attacking aliens.

Galaxian is Midway's trademark for a coin-operated audio-visual game which incorporates numerous distinctive design features in both its video screen and cabinetry. The video screen of the Galaxian game displays a visual work incorporating five rows of "alien" figures swinging in a slow sideways movement back and forth across the top of the screen. For scoring purposes, there are four denominations or ranks of these aliens, which are reflected in different colors for the different rows, with the highest ranking near the top of the screen and the lowest ranking near the bottom. The top-most row of aliens consists of two rocket-shaped figures with stationary wings, and the lower rows of aliens have flapping wings. At the bottom of the Galaxian screen is a two-color rocket figure or defense ship (Galaxip) that shoots yellow missiles in a vertical trajectory toward the aliens. When the missiles collide with an alien, the alien is destroyed, accompanied by a multicolored "explosion" appears on the screen. Surviving aliens invert and swoop down to bomb the defense ship. This "peeling off" from the alien convoy occurs either by single aliens or by aliens in formation. The defense ship is shifted horizontally along the base of the screen under control of the player to avoid a destructive collision with the aliens and the shower of bombs dropping from the aliens as they descend. Behind the aliens appears a twinkling star background of multicolored lights which rolls from the top of the screen to the bottom. In the lower right corner of the screen, the number of alien convoys destroyed is recorded by means of images shaped as pennants, and at the lower left corner of the screen the number of defense ships is recorded by means of images of defense ships remaining to be played.

The visual features of the Galaxian game are accompanied by distinctive sound effects, including musical phrases and sounds of firing rockets and explosions.

Midway's Galaxian game is manufactured in two models, an upright console, approximately 6 feet by 2 feet by 2 feet, and a cocktail table configuration, approximately 3 feet by 3 feet by 2 feet. Both types of cabinet contain a logo characterized by the word "Galaxian" in distinctive lettering with a distinctive style in the form of a large arc over the letters and a star as the dot of the "I". This logo appears in the upper part of the front of the upright cabinet and on the top horizontal surface of the cocktail table. The logo without the star appears on the sides of the upright cabinet. The sides of the upright cabinet also depict a large robotic insect in flight over an extraterrestrial landscape. (CPX-12)

IV. COMMON LAW TRADEMARK INFRINGEMENT.

The elements necessary to prove common law trademark infringement are as follows:

1. The mark must be distinctive;

2. The mark must be arbitrary or created for the express purpose of serving as a trademark;

3. The mark, if a design, must be nonfunctional;

4. The mark must have achieved secondary meaning, unless the mark is either "suggestive"[9] or non-descriptive, i.e., arbitrary and fanciful;

5. There must be likelihood of confusion.[10]

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[9] A suggestive mark is one which merely suggests some quality or ingredients of goods as opposed to a descriptive mark (1 J.T. McCarthy, Trademarks an Unfair Competition, § 11:20).

[10] Certain Novelty Glasses, 337-TA-55, USITC Pub. 991 (1979).

There is a conflict between the IA and complainant as to whether secondary meaning[11] is a necessary element of Midway's common law trademark infringement claim.[12] The IA concedes, and the ALJ found, however, that secondary meaning as to "Galaxian" has been established, and that the name "Galaxian" has acquired a ccmmon law trademark status. The Commission also agrees that the use of the word "Galaxian" by any other manufacturer would misappropriate complainant's proprietary interest in the name "Galaxian".

The term "Galaxian"

The ALJ found that the word "Galaxian" is arbitrary and distinctive in its stylization, lettering, and coloring, which makes it a common law trademark not requiring proof of secondary meaning.[13] All parties agreed that the term "Galaxian" is nonfunctional. The ALJ noted that complainant does not claim that there is confusion of the *playing public* by the use of the name Galaxian since the ordinary player neither knows nor cares who manufactured the game. Rather, Midway is concerned about the confusion of the *operator* who buys the games from the distributor.[14] An operator is the owner of an arcade or a person who buys a game, finds a restaurant or bar location for it, and splits the income from it with the owner of the restaurant or bar. We agree with the ALJ and we believe that the word Galaxian is entitled to protection.

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[11] Secondary meaning occurs when the name of a product is associated with a particular manufacturer in the minds of consumers. Carter-Wallace v. Proctor & Gamble Co., 434 F.2d 794 (9th Cir. 1970).

[12] IA Reply Brief p. 3; complainant's supplemental brief Section II.

[13] R.D., p. 10; See also Miller Brewing Co. v. G. Heilman Brewing Co., Inc., 561 F.2d (7th Cir. 1977), J. T. McCarthy, Trademarks and Unfair Competition, § 3:1 at 86 (1973).

[14] R.D., p. 12.

The Restatement of Torts § 729 sets forth four criteria to be considered in determining likelihood of confusion:

> (a) the degree of similarity between the designation and the trademark or trade name in
>
> (i) appearance;
>
> (ii) pronunciation of the words used;
>
> (iii) verbal translation of the pictures or designs involved;
>
> (iv) suggestion;
>
> (b) the intent of the actor in adopting the designation;
>
> (c) the relation in use and manner of marketing between the goods and services marketed by the actor and those marketed by the other;
>
> (d) the degree of care likely to be exercised by purchasers.

These Restatement criteria are often used as guidelines by the courts.[15]

The three-part test of Restatement § 729(a) has been characterized as the "sound, sight and meaning" trilogy. 1 J. T. *McCarthy*, § 23:4. That is, the conflicting marks are to be compared with respect to similarity of pronunciation, appearance, and verbal translation. *Id.*

As to the other elements of likelihood of confusion, there is testimony of actual confusion in the record. (CX 61 p. 5-6) Operators viewing respondent's games are misled into thinking that they are buying complainant's game. The fact that the respondents have solicited complainant's customers using the Galaxian trademark establishes intent to mislead and also

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[15] *See*, for example, Sears, Roebuck & Co. v. Johnson, 219 F. 2d 59) (3d Cir. 1953), Sarah Coventry, Inc., v. T. Sardell & Sons, Inc., 526 F. 2d. 22 (1st Cir. 1975).

establishes the relation and use and manner of marketing between the goods and services of the complainant and the respondents. (CX-87).

The terms "Galaxy" and "Galaxip"

The remaining question is whether using the words "Galaxy" and "Galaxip" infringe Midway's trademark because of the similarity of sound, meaning, and appearance of these words with the word Galaxian. The ALJ found that these respondents who used the words "Galaxy" and "Galaxip" had also infringed complainant's trademark rights. The IA argued that "Galaxy" and "Galaxip" are not similar enough to "Galaxian" to infringe the common law trademark accorded to the word Galaxian.

A discussion of the test for likelihood of confusion based upon similarity in sound, meaning and appearance as to each game follows:[18]

The *ARTIC GAME* is manufactured by Artic Electronics, Inc., and sold in the United States by Chens International. A comparison of the Artic game and Midway's game shows that they are extremely similar. Both use the name "Galaxian" on the game cabinet, and in both names there is an arc between the "G" and the "N", and a star above the "I". Although the colors are different, in both games the colors are split horizontally. The words "Galaxip" and "Galaxians" appear in the attract mode.

Since there is a likelihood of confusion between the Artic game and the Midway game, both Chens and Artic have infringed Midway's common law trademark "Galaxian."

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[18] The *Moon Alien Game* does not use the name Galaxian or any similar sounding name. No allegation of common law trademark infringement was made against Nichibutsu, General Vending, or I.J.S., Inc.

As to the *KARATECO GAME*, manufactured by Fuso Corp. and imported by Arjay, there is a likelihood of confusion between the two games because the name "Galaxian" is used by both games, and because the Karateco game and the Midway Galaxian game are almost identical. The Karateco game uses the name "Galaxians" and the word "Galaxip" in the attract mode, but not on the cabinet. (CPX-I). We agree with the ALJ that Fuso has infringed Midway's common law trademark.

The *TAITO GALAXIAN GAME* (CPX-Q) is manufactured by respondents Taito of Japan and is imported and distributed in the United States by a wholly owned subsidiary, Taito of Hawaii, Corp. The game uses the word "Galaxians," Midway's common law trademark, in the attract mode. We therefore determine that TAITO has infringed the common law trademark of Midway.

The *HOEI GAME*, manufactured by Hoei Sangyo and distributed by Stan Rousso and Miyabi, Inc., d/b/a Compu-Game, uses the name "Galaxy" on the cabinet. (CPX-F). Because the Hoei Galaxy game and the Midway Galaxian game are so similar and the name "Galaxy" is so close to the name "Galaxian" the use of the name "Galaxy" creates a likelihood of confusion. In addition, the attract mode of the Hoei game uses the word "Galaxians". We therefore determine that Hoei Sangyo, Stan Rousso, and Compu-Game, Inc., have infringed Midway's common law trademark.

The *FUSO GALAXIAN GAME* manufactured by Fuso Corp. and distributed by M. Enterprise, Inc., uses the word "Galaxian". We determine that Fuso and M. Enterprise, Inc., have infringed Midway's common law trademark.

The Commission finds that the complainant's common law trademark has been infringed by the following respondents by

use of the terms "Galaxian", "Galaxy" or "Galaxip":[17] Chens International, Inc.; Taito of Japan, Ltd.; Artic Electronics Co., Ltd.; Fuso Corporation; T.T. Sales and Service; Hoei Sangyo; Stan Rousso, Inc.; and Miyabi, Ind., d/b/a Compu-Game, Kyugo Co. Ltd. and Circle International, Inc.

FALSE DESIGNATION OF ORIGIN

The complainant has alleged the count of false designation of origin. The same elements which establish common-law trademark infringement also establish a *prim facie* case of false designation of origin, i.e. of the manufacturer. We, therefore, find that Taito of Japan, Ltd., Hoei Sangyo, Stan Rousso, Inc., Miyabi, Inc., Fuso Corporation, Circle International, Inc., and T.T. Sales & Service have violated section 337 by reason of false designation of origin.[18] Respondents Chens International and Artic Electronics, because of the conspicuous use of the name of the manufacturer (Artic) in the attract mode, on the sides of the cabinet, and on the instruction panel as well as such instructions being in Japanese, are not found to have falsely

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[17] It is interesting to note that, when complainant filed its application for federal registration of the Galaxian trademark, the application was objected to on the ground that there was another mark registered as "Galaxy Ranger." tr., p. 17. However, upon a showing by the complainant that it also owned that mark, the objection was withdrawn and complainant is currently awaiting publication of the trademark "Galaxian." The initial objection to the use of the name "Galaxian" was based upon the finding by the examiner in the Patent and Trademark Office that there might be the likelihood of confusion between "Galaxian" and "Galaxy Ranger."

[18] Chairman Alberger, Vice Chairman Calhoun, and Commissioner Bedell note that there is no respondent found to have engaged in false designation of origin which is not also covered under the common-law trademark findings. Furthermore, there is no additional or more appropriate relief available under section 337 for this particular violation beyond that which the Commission is already granting for common-law trademark infringement.

designated the manufacturer of origin. Additionally, there is no finding made against Kyugo Company Ltd. as there was no evidence presented that Kyugo had misrepresented the origin of its Galaxy game.

VI. UNFAIR ACTS REGARDING COPYRIGHT

In order to sustain a claim of copyright infringement, a plaintiff in federal court[19] is required to demonstrate two elements: (1) ownership of the copyright in question; and (2) copying by the defendant. *Samet & Wells, Inc. v. Shalom Toy Co., Inc.*, 429 F. Supp. 895 (E.D.N.Y. 1977), *aff'd* 578 F.2d 1369 (2d Cir. 1978); *Russ Berrie & Co., Inc. v. Jerry Elsner Co., Inc.*, 482 F. Supp. 980 (S.D.N.Y. 1980); *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1162 (9th Cir. 1977); M. Nimmer, *Nimmer on Copyright* § 13.01 (hereinafter *Nimmer*). We deal with each of these elements separately.

A. COPYRIGHT OWNERSHIP

According to Professor Nimmer, the copyright law of the United States sets forth a series of elements which must be present if a *prima facie* case of copyright ownership is to be made. 3 *Nimmer* § 13.01[a] and cases cited therein. These elements are as follows:

1. Originality in the author;

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[19] At least one of the briefs received by the Commission as a result of our request for further briefing of copyright issues suggested that the Commission has the power to remedy an unfair act or unfair method of competition pursuant to section 337 of the Tariff Act of 1930 without regard to whether that act might also be deemed a violation of another statute. Nevertheless, on the basis of the record before us, we find that a copyright infringement has occurred. Therefore, we need not consider whether the acts complained of might be remediable under the broad provisions of section 337 without regard to other provisions of law.

2. Copyrightability of the subject matter;

3. Citizenship status of the author such as to permit a claim of copyright;

4. Compliance with applicable statutory formalities; and

5. If the plaintiff is not the author, a transfer of right or other relationship between the author and the plaintiff so as to constitute the plaintiff the valid copyright claimant.

Complainant alleges that it has made a *prima facie* showing of each of these elements and, therefore, that the Commission should conclude that it is the copyright owner.

A review of the record in this investigation reveals that the complainant has alleged facts tending to prove each of these elements. It appears to us that, in the absence of any rebuttal, the evidence brought forth by the complainant in support of those allegations is sufficient to meet threshold levels of reliability and probative value.

In finding that ownership of the copyright has been established in this case, we note that the respondents in this investigation are in default—that is, none of the named respondents participated in the fact-finding phase before the Commission's ALJ, the record certified to the Commission consists exclusively of evidence presented by the complainant and by the commission investigative attorney. Since no evidence was presented by any of the respondents, we are constrained to rely upon that evidence presented by the complainant and the IA. Therefore, while our factual conclusions are based upon the record before us, we will not speculate whether we would reach the same conclusions after examining the record of a fully litigated proceeding.

We turn now to each of the requisite elements.

Originality. As cited above, there is evidence on the record that the game known as Galaxian was created by Namco of

Japan, and there is also evidence that Namco transferred all its rights, title, and interest in the game, at least for the U.S. market, to the complainant. The document of transfer, in fact, has been filed with the Copyright Office. No evidence has been brought forward to rebut this evidence of originality and transference of rights. Therefore, we find that Midway is the proprietor of all legal rights in the Galaxian game.

Validity. The record of this investigation reveals that the Register of Copyright has issued certificates of registration on the Galaxian play mode and the Glaxian attract mode. The certificates of registration have been made a part of the record of this investigation. The certificates of registration recite complainant's claim that copyright extends to all audiovisual or cinematographic work.

The Copyright Act of 1976 treats the existence of certificates of registration as evidence relevant to the proof of the validity of copyright:

> § 410. Registration of claim and issuance of certificate.
>
> * * *
>
> (c) In any judicial proceedings, the certificate of a registration made before or within 5 years after first publication of the work shall constitute *prima facie evidence of the validity of the copyright* and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court. (Emphasis supplied.)

17 U.S.C. 410(c). Since registration appears to have been made within five years of the date of first publication, the certificates of registration constitute *prima facie* evidence of the validity of the claimed copyright.[20] This follows the principles of case law enunciated under the Copyright Act of 1909.

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[20] Although the record is not specific, the first publication of Galaxian appears to have occurred in 1979 and registration was made in 1980.

The legislative history makes it clear that § 410(c) is a codification of the principles developed in judicial decisions under the Copyright Act of 1909. H.R. Rep. 94-1476, 94th Cong., 2d Sess, p. 157 (1976). It is well settled in that case law that once a copyright certificate is issued, it constitutes *prima facie* evidence of the facts stated therein.[21] The issuance of a certificate of registration by the Copyright Office gives rise to a presumption of ownership and validity of the claimed copyright.[22] The presumption so created is rebuttable,[23] and the burden of going forward shifts to the defendant.[24] These principles dictate our conclusion.

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[21] Monogram Models v. Industro Motive Corp., 448 F.2d 284 (6th Cir. 1971); Herbert Rosenthal Jewelry Corp. v. Grossbardt, 428 F.2d 551 (2d Cir. 1970).

[22] Novelty Textile Mills, Inc. v. Joan Fabrics Corp., 558 F.2d 1090 (2d Cir. 1977); Kieselstein-Cord v. Accessories by Pearl, Inc., 489 F. Supp. 732 (S.D.N.Y. 1980).

[23] Monogram Models, Inc. v. Industro Motive Corp., 448 F.2d 284 (6th Cir. 1971); Rohauer v. Friedman, 306 F.2d 933 (9th Cir. 1962); Jerry Vogel Music Co. v. Forster Music Publishers, 147 F.2d 614 (2d Cir. 1945).

[24] Monogram Models, Inc. v. Industro Motive Corp., 448 F.2d 284 (6th Cir. 1971); Rohauer v. Friedman, 306 F.2d 933 (9th Cir. 1962); Samet & Wells, Inc. v. Shalom Toy Co., Inc., 429 F. Supp. 895 (E.D.N.Y. 1977), *aff'd* 578 F.2d 1369 (2d Cir. 1978); Stratchborneo v. Arc Music Corp., 357 F. Supp. 1393 (S.D.N.Y. 1973); *See also* Epoch Producing Corp. v. Killiam Shows, Inc. 522 F.2d 737 (2d Cir. 1975), *cert. den.* 424 U.S. 955 (1976); Plymouth Music Co. v. Magnus Organ Co., 456 F. Supp 676 (S.D.N.Y. 1978).

Complainant's certificates of registration create, at law, the presumption of validity of the claimed copyright. Since no evidence to rebut that presumption has been brought forward by any of the respondent parties or by the Commission investigative attorney, we must conclude that complainant has a valid copyright.[25]

Citizenship, Statutory Formalities, and Transference. The same reasoning also dictates our conclusions with regard to the citizenship status of the author, compliance with applicable statutory formalities, and a transference of rights so as to constitute the complainant as the valid copyright claimant. On the basis of the lack of any evidence to rebut the presumptions created by the certificates of registration and the facts brought forward by the complainant, we find that the complainant has established a *prima facie* case for each of these elements.

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[25] We note that the Commission has recently instituted an investigation, based upon another complaint by Midway, which appears to involve similar allegations of copyright infringement. Since our conclusions today are based upon an unrebutted presumption, we expressly reserve judgment on the copyrightability of the games covered by the new investigation, particularly the audiovisual displays of those games.

Chairman Alberger and Commissioner Stern note further that the conclusions reached today leave unresolved some significant issues, since the facts before us do not permit us to reach them. These issues may arise under the new complaint. For example, it would be helpful to know the following: 1. Whether an audiovisual work is an "original work of authorship" or whether it is derived from another original work? 2. Whether the videotapes are a fixation of the original work of authorship or whether they are a "photograph" of a fixed copy of the original work? 3. For purposes of determining the proper form of deposit and registration, whether the work was first published in Japan or the United States.

B. *Copying*

The second substantive element necessary to sustain a copyright infringement action is copying by the defendant. Since it is rare for the plaintiff to be able to prove copying by direct evidence, the courts have developed the principle that evidence of access and substantial similarity create an inference of copying. The plaintiff has the burden of showing both. *Jewel Music Publishing Co. v. Leo Feist, Inc.*, 62 F.Supp. 596 (S.D.N.Y. 1945); *Sarkadi v. Wiman*, 135 F.2d 1002 (2d Cir. 1943). As Professor Nimmer has stated:

> It has been held that where the plaintiff has made a strong prima facie case of copying by proving both access and a convincing number of similarities there is a high probability that copying whether intentional or unintentional has in fact occurred so that at that point the burden of going forward with evidence shifts to the defendant who must either negative the probability of copying by evidence of independent creation, or justify the copying by evidence of authority from or through the plaintiff. Once a prima facie case of copying has been made by evidence of access and substantial similarity, it has been said that in the absence of countervailing evidence of independent creation by defendant (or, presumably of authority from or through plaintiff), a finding that there has been no copying would be clearly erroneous. (Citations omitted)

3 *Nimmer* § 12.11[D], pp. 12-83-85.

In this investigation, there is no direct evidence of copying. Therefore, we must look to see whether the respondents had access to plaintiff's work and whether there is substantial similarity. There is evidence in the record that the respondents had access to the Galaxian games. There were at least two trade shows at which the games were displayed. In addition, the games have been available in the market place for some time, and respondents' alleged infringing games did not appear

until well after they had such access. Therefore, there is a sufficient demonstration on the record to support the proposition that the respondents had access to the complainant's Galaxian game, and we so find.

Since respondents had access to complainant's work, we turn now to an analysis of the alleged similarity between complainant's work and the allegedly infringing works.

Similarity itself is insufficient; there must be "substantial similarity" between the two works. 3 *Nimmer* § 13.03. However, the determination of substantial similarity is difficult, and it is almost impossible to lay down a general definition. 3 *Nimmer* § 13.03[A]; *See Caddy-Imler Creations, Inc., v. Caddy*, 299 F.2d 79 (9th Cir. 1962); *L & L White Metal Casting Corp. v. Joseph*, 387 F. Supp. 1349 (E.D. N.Y. 1975). In general, the courts have applied what may be called the "ordinary observer" test: 3 *Nimmer* § 13.03[E][1]; *for example, Novelty Textile Mills, supra.*

The ordinary observer test in discussing fabric designs, for example, has been stated to be "whether an ordinary observer, who is not attempting to discover disparities 'would be disposed to overlook them and regard their aesthetic appeal as the same.'" *Novelty Textile Mills, supra*, 1093. The ordinary observer test appears to have been modified in the leading case of *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946), where the Court divided the issue of substantial similarity into two elements: Whether the defendant copied the plaintiff's work and whether the copying constitutes appropriation. *See for example, Mattel, Inc. v. S. Rosenberg Co.*, 296 F.Supp. 1024 (S.D.N.Y 1968); *Stratchborneo, supra.* The Ninth Circuit also appears to have established a two-step analysis. *Sid & Marty Krofft Television Productions, supra.* First the court would examine whether there is a substantial similarity between the "general ideas" of the two works. If such substantial similarity

exists, the second stage would determine whether such similarity constitutes infringement by analyzing the "response of the ordinary reasonable person."

With regard to all games available to the Commission, and for which physical exhibits have been submitted, the ALJ, the Commission, and the Commission's staff have conducted exhaustive observations. It is abundantly clear that the attract modes of each of the alleged infringing games except Moon Alien are almost identical to the attract mode of complainant's Galaxian game. Therefore, whether we apply the ordinary observer test directly, or the two-pronged test of *Arnstein* or *Sid & Marty Krofft*, there can be no doubt that the respondents' games are "substantially similar" to Galaxian with regard to the attract mode. We therefore concur with the ALJ's conclusion with regard to the attract mode.

It is also apparent to us that the play mode of each of the alleged infringing games, at least up until that moment in which the player is given control over the defenseship, is substantially similar to the play mode of the complainant's game. To this extent, we concur with the opinion of the ALJ.

Moon Alien is different from the other infringing games in that there are original works of authorship which are apparently unique to Moon Alien. These are the energy bar, which appears at the bottom of the screen during the actual performance of the game itself and during the performance of the simulated game in the attract mode, and the trajectory of the missiles fired by the player have some lateral movement subject to control by the player. In all other respects, the Moon Alien game appears to be derived from the Galaxian game.

With regard to the attract mode of Moon Alien, our observation demonstrates that Moon Alien is similar to Galaxian in several significant aspects:

1. The rolling star background;

2. The shape and color of the aliens in the simulated game;

3. The formation of the aliens in the simulated game and its placement on the display screen;

4. The movement of the aliens both while in formation and while swooping down in attack; and

5. The scoring table, including the manner in which it is brought into display on the screen, the wording contained, and the flashing score values.

Applying the ordinary observer test to the scoring table portion of the attract mode, we conclude that it is substantially similar to the scoring table portion of the attract mode of Galaxian. Likewise, applying the substantial similarity test to the simulated game in the Moon Alien attract mode, we find that the elements of expression contained therein are substantially similar to those in the simulated game in the Galaxian attract mode. We therefore find that the Moon Alien attract mode in the enumerated respects is substantially similar to the Galaxian attract mode and is likely to cause confusion in the mind of the ordinary observer. We do not find substantial similarity with regard to any of the other elements of the Moon Alien attract mode.

With regard to the first few moments of the play mode of Moon Alien we likewise find substantial similarity. Even though there is the difference that in Moon Alien the energy bar appears in these moments of the play mode, it is clear to us that the remainder of the display on the screen is substantially similar to that of the first few moments of the play mode of Galaxian.

As noted above, no evidence was presented by any respondent. Therefore, the Commission has before it no evidence of independent creation of these works. Likewise, there is no

evidence that either respondents had no access to complainant's games or that they did not, in fact, copy the games. In absence of any such evidence, we find that complainant has established a *prima facie* case of copying.

C. SCOPE OF THE COPYRIGHT

A major premise of U.S. copyright law is that ideas are not subject to copyright; copyright protection extends only to the form of expression used by the author. As the Supreme Court has said, "[u]nlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself." *Mazer v. Stein*, 347 U.S. 201, 217 (1954). *See also Franklin Mint Corp. v. National Wildlife Art Exchange, Inc.*, 575 F.2d 62 (3d Cir. 1978) *cert. den.*

> The basic issue in a copyright action is whether there has been a wrongful appropriation of expression. Copyright protection extends only to the expression of the idea; it does not protect the idea itself. 'It must be remembered that copyright protection does not extent to ideas, plots, dramatic situations and events. Rather, it is limited to the arrangement of words the author uses to express his ideas.'

O'Neill v. Dell Publishing Co., Inc., 630 F.2d 685, 686 (1st Cir. 1980), *citing Scott v. WKJG, Inc.*, 376 F.2d 467 469 (7th Cir. 1967), *cert. den.*, 389 U.S. 832, 88 S. Ct. 101, 19 L. Ed. 2d 91 (1967).

It follows that games as such are not entitled to copyright protection. *Chamberlin v. Uris Sales Corp.*, 56 F. Supp. 987 (S.D.N.Y. 1944) *aff'd* 150 F.2d 512 (2d Cir. 1945); *See also Morrissey v. Proctor & Gamble Co.*, 262 F. Supp. 737 (D. Mass. 1967) *aff'd on other grounds* 379 F.2d 675 (1st Cir. 1967); *Affiliated Hospital Products, Inc. v. Merdel Game Manufacturing Co.*, 513 F. 2d 1183 (2d Cir. 1975). It is well settled that no copyright may be obtained in the system or manner of

playing a game or engaging in any other sporting or similar activity. 1 *Nimmer* § 2.18[H][3]; *Affiliated Enterprises, Inc. v. Gruber*, 86 F.2d 958 (1st Cir. 1936); *Russel v. Northeastern Publishing Co.*, 7 F. Supp. 571 (D. Mass. 1934). While a game itself is not subject to copyright, labels for games, game boards, and game rules may usually be copyrightable. There are limitations to this rule, however, especially where any attempt to copyright the rules would so limit the possible number of forms of expression as to permit, by monopolizing the forms of expression of the rules, establishment of a monopoly in the system to which the rules pertain. *Morrissey, supra; Affiliated Hospital Products, supra.*

For these reasons, we specifically note that our findings do not extend to the copyrightability of the Galaxian game itself, but only to the modes of expression used in the attract mode and the first few moments of the play mode. We do not decide whether any performance of one of the infringing games could conceivably infringe a valid copyright, if one exists, in the play mode of the game itself. We do so for three reasons.

First, for statistical reasons, it is virtually impossible for a performance of Galaxian ever to duplicate that performance fixed in the video tape. If we were to hold that such performances could infringe a copyright in the play mode, we might be protecting the game itself or its mode of play, items which are specifically not subject to copyright protection. Second, each performance of the Galaxian play mode depends, in part, on the player. It is therefore possible that the player may be considered a "coauthor" of each performance of the play mode. Our research has indicated no legislative history or case law on whether coauthored works of this sort are subject of copyright, and we decline to rule on this issue. Third, in view of the remedy we are granting in this investigation, a ruling on either copyrightability or infringement of the play mode is

unnecessary. We are ordering the exclusion of those games and cabinetry which infringe complainant's trademark rights and copyright in the attract mode and in the first few moments of the play mode.

IV. INJURY

Scope of domestic industry

In this case, the complainant is the only domestic manufacturer of the game and has an agreement with the creator of the game giving it exclusive rights in the game in the United States. Under the agreement, complainant is the owner of all domestic rights in the game and in the manufacture, distribution, and sale of the game in the United States. (FF 38). The ALJ found that complainant's facilities for the production, distribution, and sale of the game constitute the relevant domestic industry in this case. we agree.[26]

Efficient and economic operation

Section 337 (a) requires that the industry alleged to be injured by the unfair acts be "efficiently and economically operated." The ALJ found that the relevant domestic industry is efficiently and economically operated. No one disputes this. There is sufficient evidence on the record to establish, *prima facie*, that the industry is efficiently and economically operated. (TRI 7-8 CX10).

At its facilities for the manufacture of the Galaxian game, Midway employs 1,200 people. The modern facilities consist of the Grand Avenue plant and the Belmont Avenue building in Franklin Park, Illinois.

Midway's plant on Grand Avenue in Franklin Park, Illinois consists of 90,000 square feet and contains a Printed Circuit Department with 15 computerized drills, the latest

[26] See Certain Window Shades, Inv. No. 337-TA-83.

equipment for dry film processing and in-house facilities for plating. That plant contains the Printed Circuit Assembly Department which is comprised of 250 people, with three assembly lines, an automatic assembly conveyer line, automatic soldering machines and automatic washing and cleansing equipment. Complainant's Belmont Avenue building contains approximately 144,000 square feet and houses Midway's Engineering Department. TR. 1 7, 8.

Midway maintains a large network of distributors which covers the entire United States. Midway has made a substantial investment in the Galaxian game and has devoted substantial manhours to its production.

Effect or Tendency to Substantially Injure

The complainant did not take exception to the ALJ's finding that there is no showing of effect to substantially injure. Complainant states that it took no exception to the ALJ's finding in this regard because of the belief that the finding of tendency to injure meets the statutory test for injury and is sufficient to support a finding of violation. It nevertheless argues in its post hearing brief that the record does support a finding that Midway has suffered substantial injury. Complainant's position regarding the claim of present injury has thus been inconsistent. It's failure to take exception to the ALJ's recommended findings under these circumstances compels us to conclude it has waived it's right to further argue this claim. See 19 CFR 210.54.

There was evidence before the ALJ which establishes lost sales, and, as is explained below, a tendency to substantially injure the domestic industry.

Complainant experienced a decline in monthly production of Galaxian games from 5,000 in February 1980, to 2200 in July 1980 (CX 67). This is more than a 50% decline in a period

of six months. Although the complainant acknowledges a short lifespan for these games, there was testimony at the temporary exclusion order hearing that there is still a market for the games in the United States, and that Midway would have sold more games but for the infringing imports. (TR.I pp. 315-318.)

Complainant also claims that importations by respondents would have been even greater (making the loss greater) but for this investigation, which has caused importers to be more cautious. While such an assertion has not been proven, it does seem likely that the Commission's investigation may have deterred importers somewhat.

There is evidence of actual lost sales. (CX 17, 55). The ALJ notes "the record contains evidence of a number of imported games sold to purchasers who had requested Midway's game and this shows actual sales lost by Midway." (RD p. 35, CX 17, CX 55). The record shows 295 lost sales of games (CX 96) and 71 lost sales of kits (CX 96 p.2). These sales would have gone to Midway but for the presence of the infringing games. Complainant further claims that there is competition for the limited space in which to install individual games,[27] making each imported game tantamount to a lost sale for Midway.

The record indicates that imported games undersell Midway's games by margins of up to 37% (CX 74). The imported kits undersell complainant's product by approximately 30% of the price of the completed Galaxian games.

In this case, the complainant has presented evidence which demonstrates that foreign respondents have placed advertisements in the United States offering "Galaxian" games for

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[27] Meprobamate, TC Pub. 389 (1971); Luggage Products, Pub. 932 (1978), 337-TA-44 ITC; Convertible Game Tables, 337-TA-02 (1974) TC Pub. 705 (Doc. A-74).

sale.[28] Further, complainant presented evidence that there are a large number of games waiting in Japan to enter the U.S. market.[29] These games use the Midway Galaxian name and logo. The record also shows it is the intention of the owners of these games to ship them to the United States.[30] Testimony by Japanese distributors and manufacturers reveals that there are at least 100,000 similar or identical games, or kits capable of producing such games, in Japan and the Far East. (TR. I pp. 141-142; p. 243). At least half of these games have been shown to specifically bear the Galaxian name and logo (TR. I, pp. 246, 249, and 304). There is testimony that these games are wired and suitable for immediate use in the United States without the need for modification (TR. I p. 320).

The ability and intention of the respondents to ship these games to the United States has been corroborated by the respondents. Respondent KEK testified as to the capacity to make a limitless supply of infringing games in Japan and as to the ability of the Japanese to ship these games rapidly to the United States (CX 57, p. 11). There is testimony in the record that the United States is the only available market for the Galaxian game today. (TR-1, p. 266).

We believe that the complainant has made a *prima facie* showing of tendency to injure. Absent any evidence to the contrary, we concur with the ALJ that there is a tendency to substantially injure an industry in the United States.

VIII. REMEDY

An exclusion order against the infringing games is the more effective remedy since they are numerous and easily recognizable. Because an exclusion order operates *in rem* and will exclude all games which fall within its protective scope, we

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[28] tr. at 25.
[29] CX 5, 19, 22, 23, 24, 27, 62.
[30] *Id.*

have attempted to design a remedy which does not affect non-infringing exporters. Therefore, the exclusion order is directed against those games and kits which are clearly marked or use the words "Galaxian", "Galaxy," or "Galaxip" so that there is no chance that it will exclude only infringing articles.[31] Finally, since many of the respondents apparently have no offices or assets in the U.S., the only effective remedy which the Commission could issue as to these respondents is an exclusion order.

In *Sealed Air Corp. v. USITC* and *Unipak (H. K.) Ltd. v. USITC*, Nos. 79-35, 80-4 (C.C.P.A. March 12, 1981), the Court pointed out that an exclusion order operates against goods, not parties. The Court stated that—

> the purpose of the exclusion remedy was to get away from *in personam* procedures which United States business found unsatisfactory. Being unable in most cases to sue a foreign supplier, a U.S. business faced with infringing products from abroad was forced to pursue a multiplicity of individual importers, and if a court enjoined one, another could be found to take his place. Thus, the exclusion remedy was conceived.

Id. (Opinion of Nies & Baldwin, J.J. concurring with respect to 79-35, and dissenting with respect to 80-4). The Court in affirming the Commission's jurisdiction to issue exclusion orders said, "an exclusion order operated against goods, not parties." Therefore, we have issued an exclusion order against any games of foreign origin which infringe complainant's common law trademark by engaging in false designation of origin.

With regard to the copyright violations, however, the more prudent course is to issue an exclusion order against only those games and kits which we have specifically found to infringe complainants copyright.[32] We do so for several reasons. First,

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[31] tr. p. 31.

[32] A list of those games specifically found to infringe complainant's copyright is given in the Conclusions section of this opinion.

and foremost, there is ease of application of such an order by the U.S. Customs Service. By giving the Customs Service the specific names of each infringing game, we give them a means to distinguish between infringing and other games and kits. Secondly, any attempt to enumerate the specific elements found to infringe complainant's copyright would be extremely difficult and fraught with ambiguities. Not only would such a document be difficult for the Commission to draft, but we fear it would be exceedingly difficult for Customs to enforce, expecially if Customs is called upon to judge which elements infringe the copyright. Finally, we note that no other allegedly infringing games have been brought before the Commission. The Commission cannot make any finding as to whether any such games infringe complainant's copyright, since this requires a factual determination on case-by-case basis.[33]

The Commission has the power to remedy unfair methods of competition in the importation of goods or in the sale of those imported goods. Complainant and the IA argued that cease and desist orders would be an appropriate remedy with regard to the domestic respondents. Such a remedy, they argued, would be effective as to those companies that are known to be engaged in importing or selling infringing games in the United States. The cease and desist orders could be issued against those respondents engaged in false designation of origin and common law trademark infringement. This would

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[33] Commissioners Alberger and Stern note that an exclusion order which may be viewed as directed to more than the games specifically before us today may be a prior restraint on valid modes of expression. While the exact scope of the parameters of the doctrine of prior restraint under the First Amendment are not fully defined, it is clear that substantive restraints on modes of expression are not favored. *Near v. Minnesota*, 283 U.S. 697 (1931); *Organization for a Better Austin v. Keefe*, 402 U.S. 415 (1971); *New York Times Co. v. United States*, 403 U.S. 713 (1971). Therefore, the Commission properly does not extend its remedy beyond those games specifically before us in this investigation.

have the effect of reaching those which have managed to stockpile games during the pendency of this investigation. There are many respondents in the United States (distributors) which can only be reached by a cease and desist order. However, because the record did not contaan sufficient evidence regarding instances of stockpiling by domestic respondents, we decline to issue cease and desist orders.

IX. PUBLIC INTEREST FACTORS.

Subsection (d) of section 337 provides that exclusion is to be ordered unless the Commission finds that such relief would not be in the public interest.

Because of the nature of the articles involved (audio-visual games), it is unlikely that such relief would have detrimental impact on the public health and welfare. The record establishes that Midway is capable of supplying the U.S. market with Galaxian games as long as the demand for them continues. TRI, CX 10. Because the unfair competition laws of the United States have as their goal both the protection of the consumer from deceptive practices and the protection of property rights inherent in valid trademarks, the public interest is best served by the issuance of an exclusion order.

No Government agencies or departments, either orally or in writing, expressed an opinion on the public interest question. There was one public interest witness at the Commission hearing of March 16, 1981, but his concerns were directed, as noted previously, more toward violation than toward public interest factors.

X. BONDING

The Commission must set a bond for such infringing articles entered during the period the Commission's determination is pending before the President. 19 U.S.C. 1337(g)(3). The Commission's rules provide that the Commission is to determine a bond "taking into consideration . . . the amount

which would offset any competitive advantage resulting from the violation." (19 C.F.R. 210.14(a)(3).) The Commission has generally set a bond equal to the difference between the selling prices of the domestic and imported articles.[34]

The IA has indicated that a bond in this case should not exceed 54% of the *ad valorem* price of the imported articles. His recommendation is based upon the wholesale price of the domestically manufactured games compared with the wholesale price of the imported games. We agree with his recommendation and therefore determine that a bond of 54 percent should offset any competitive advantage accruing to respondents.

XI. CONCLUSIONS.

After reviewing the record of this investigation, including the recommended determination, the briefs of the parties and the public interest witness, and the transcript of the hearing of March 16, 1981, we determine:

1. That the following respondents have violated section 337 of the Tariff Act of 1930 by reason of common law trademark infringement:

Chens International, Inc.
Taito of Japan, Ltd.
Artic Electronics Co., Ltd.
Fuso Corp.
M. Enterprise, Inc., a/k/a T.T. Sales & Service
Hoei Sangyo

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[34] See, for example, Certain Roller Units, supra, at 12. But compare Doxycycline: Inv. No. 337-TA-3, USITC Pub. 964, April 1979, at 21 (concurring opinion of Commissioner Alberger), and Certain Thermometer Sheath Packages: Inv. No. 337-TA-56, USITC Pub. 992, July 1979, at 30, where a bond of 10 percent representing a reasonable royalty was found appropriate. (In the latter case, the price of the imported article was found to be higher than the price of the domestic article.)

Stan Rousso, Inc.
Miyabi, Inc.
Kyugo, Co., Ltd.
Circle International, Inc.

2. That the following respondents have violated section 337 of the Tariff Act of 1930 by reason of false designation of origin:

Taito of Japan, Ltd.
Hoei Sangyo
Stan Rousso, Inc.
Miyabi, Inc.
Fuso Corp.
Circle International, Inc.
M. Enterprise, Inc., a/k/a T.T. Sales & Service

3. That the following games and kits have violated section 337 of the Tariff Act of 1930 by reason of copyright infringement:

Moon Alien
Kyugo Galaxy
Hoei Galaxy
Taito Galaxian
Karateco and Fuso Galaxian
Artic Galaxian

4. That the unfair methods of competition and unfair acts of those respondents in violation of section 337 have the tendency to substantially injure an efficiently and economically operated industry in the United States.

5. That the issuance of an exclusion order against the specified games or kits which infringe complainant's copyright is appropriate.

6. That the issuance of an exclusion order against any games or kits which infringe complainant's common law trademark or bear a false designation of origin is appropriate.

7. That public interest considerations do not preclude relief.

8. That bond be set at 54 percent of the c.i.f. value of the imported products.

9. That the motion to terminate respondent Nichibutsu be denied.

APPENDIX K

In the Matter of

CERTAIN COIN-OPERATED AUDIOVISUAL GAMES AND COMPONENTS THEREOF (VIZ., RALLY-X AND PAC MAN)

Investigation No. 337-TA-108

(temporary relief phase of investigation)

USITC PUBLICATION 1220

FEBRUARY 1982

United States International Trade Commission / Washington, D.C. 20436

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Bill Alberger, Chairman
Michael J. Calhoun, Vice Chairman
Paula Stern
Alfred E. Eckes
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Kenneth R. Mason, Secretary to the Commission

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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C. 20346

In the Matter of

CERTAIN COIN-OPERATED AUDIOVISUAL GAMES AND COMPONENTS THEREOF (VIZ., RALLY-X AND PAC MAN)	Investigation No. 337-TA-105

COMMISSION ACTION AND ORDER

Introduction

Midway Manufacturing Company, Chicago, Illinois, filed a complaint with the Commission on April 17, 1981, and supplemented the complaint on April 20, May 7, June 15, and June 17, 1981. The complaint alleged that unfair methods of competition and unfair acts have occurred, including the infringement of complainant's copyrights in the Rally-X and the Pac-Man games and the infringement of complainant's common law trademark rights in those games. The complaint alleged that the unfair methods of competition and unfair acts have the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The complainant requested both temporary and permanent relief.

The Commission instituted an investigation into these allegations and published notice thereof in the *Federal Register* of July 1, 1981 (46 F.R. 34436). Thirty-five respondents were named in the investigation.

On July 24, 1981, complainant moved to amend the complaint by the joinder of 33 additional respondents. On September 21, 1981, the Commission granted the motion with respect to 20 of the 33 proposed respondents. The Commission

stated that the 20 parties joined thereby were not required to appear at the hearing on temporary relief and would not be subject to any *in personam* temporary relief issued pursuant thereto. Notice of the naming of the additional respondents was published in the *Federal Register* of September 30, 1981 (46 F.R. 47891).

A hearing on temporary relief was held before the Commission's Administrative Law Judge (ALJ) commencing on September 21, 1981. Only respondent Artic International, complainant Midway, and the Commission investigative attorney participated in the hearing. On November 16, 1981, the ALJ certified the record and his recommended determination to the Commission.

In his recommended determination, the ALJ found that the Commission has subject matter jurisdiction in ths investigation. He also found that there are two discrete domestic industries, both operated by the complainant. One industry consists of the manufacture, distribution, and sale of the Pac-Man games, and the other consists of the manufacture, distribution, and sale of the Rally-X games. He found that complainant had valid copyrights in the Pac-Man and Rally-X audiovisual works which were being infringed by respondents, and he found that complainant had common law trademark rights in the Pac-Man game which were also being infringed by respondents. He determined that complainant has trademark rights in the Pac-Man game, except in the Hawaiian market. He found that these acts constitute unfair methods of competition or unfair acts within the meaning of section 337 and that there is reason to believe that these unfair acts and methods of competition have injured an industry, efficiently and economically operated, in the United States, with regard to the Pac-Man game, but not with regard to the Rally-X game.

On December 11, 1981, the Commission held a public hearing on the ALJ's recommended determination and on relief, bonding, and the public interest.

On January 4, 1982, the Commission determined (Commissioner Stern dissenting) that, pursuant to section 337(e) (19 U.S.C. § 1337(e)), there is reason to believe that there is a violation of section 337 by reason of copyright infringement and common law trademark infringement with regard to the Pac-Man game, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The Commission also determined that there is no reason to believe that there is a violation of section 337 with regard to the Rally-X game. Finally, the Commission determined that the appropriate temporary relief is cease and desist orders issued against respondents for whom there is reason to believe that they are infringing complainant's copyright and trademark rights in the Pac-Man game.

Action

Having reviewed the record compiled and information developed in this investigation, including (1) the submissions filed by the parties, (2) the transcript of the evidentiary hearing before the ALJ and the exhibits which were accepted into evidence in the course of that hearing, (3) the recommended determination, and (4) the arguments made by the parties at the public hearing of December 11, 1981, the Commission on January 4, 1982, determined (Commissioner Stern dissenting)—

1. That there is reason to believe that there is a violation of section 337 with respect to the importation and sale of the Pac-Man coin-operated audiovisual game and components thereof which infringe complainant's copyrights in the Pac-Man audiovisual work;

2. That there is reason to believe that there is a violation of section 337 with respect to the importation and sale of Pac-Man coin-operated audiovisual games and components thereof which infringe the complainant's common law trademark rights;

3. That there is no reason to believe that there is a violation of section 337 with respect to the importation and sale of the Rally-X coin-operated audiovisual games and components thereof;

4. That the appropriate remedy for such violation is temporary cease and desist orders issued pursuant to section 337(f) (19 U.S.C. § 1337(f));

5. That the public interest factors enumerated in section 337(f) do not preclude the issuance of temporary cease and desist orders in this case; and

6. That the bond provided for in sections 337(e), 337(f), and 337(g)(3) (19 U.S.C. §§ 1337(e), 1337(f), and 1337(g)(3)) of section 337 be in the amount of 54 percent of the entered value of the audiovisual games in question or any components thereof during the period of temporary relief.

Order

Accordingly, it is hereby ORDERED THAT—

1. Artic International, Inc.; Carlin Tiger Shokai, Ltd.; Ferncrest Distributors; Inc., Formosa Products Industrial Corp.; Friend Spring Industrial Co., Ltd.; International Scientific Co., Ltd.; Jay's Industries; Loson Electrical Co.; K & K Industrial Services; Kyugo Company, Ltd.; Morrison Enterprises Corp.; Nippon Semicon, Inc.; Omni Video Games, Inc.; Stan Rousso, Inc.; Seagull Industries Co., Ltd.; Sepac Co., Ltd.; Shoei Co., Ltd.; and SP-World-Amusement Co., Ltd.; shall cease and desist from the importation and/or sale of certain coin-operated audiovisual games and components thereof, as specifically provided in the attached orders;

2. The articles covered by the attached cease and desist orders are entitled to entry into the United States unner bond in the amount of 54 percent of the entered value, during the period of temporary relief;

3. Notice of this Action and Order be published in the *Federal Register* and that copies of this Action and Order and the opinions issued in connection therewith be served upon each party of record to this investigation and upon the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and the Secretary of the Treasury;

4. Copies of each cease and desist order be served upon the complainant, and that a copy of the cease and desist pertaining to each respondent listed in paragraph 1 above be served upon that respondent; and

5. The Commission may amend this Order in accordance with the procedure described in section 211.57 of the Commission's Rules of Practice and Procedure (46 F.R. 17533, Mar. 18, 1981; to be codified at 19 CFR 211.57).

By order of the Commission.

KENNETH R. MASON
Kenneth R. Mason
Secretary

Issued: January 15, 1982

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S-A-M-P-L-E

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

In the Matter of CERTAIN COIN-OPERATED AUDIOVISUAL GAMES AND COMPONENTS THEREOF (VIZ RALLY-X AND PAC MAN)	Investigation No. 337-TA-105

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED THAT (Name and address of respondent) cease and desist from violating section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) with regard to the Pac-Man coin-operated audiovisual game and certain components thereof.

I

(Definitions)

As used in this Order:

(A) "Commission" shall mean the U.S. International Trade Commission.

(B) "Complainant" shall mean Midway Manufacturing Co., 10750 West Grant Ave., Franklin Park, Illinois 60131.

(C) "Respondent" shall mean (Name and address of respondent).

(D) "Person" shall mean any individual, or any non-governmental partnership, firm, association, corporation or

other legal or business entity other than the above Respondent or its majority owned and/or controlled subsidiaries, their successors or assigns.

(E) "United States" shall mean the fifty States, the District of Columbia and Puerto Rico.

(F) "Hawaii" shall mean the State of Hawaii.

(G) "Audiovisual work" shall mean a work that consists of a series of related images which are intrinsically intended to be shown by the use of electronic equipment, together with accompanying sounds, if any.

(H) "Video game machine" shall mean any coin-operated device or apparatus, as classified at section 734.20 of the Tariff Schedules of the United States, which is designed or uniquely suited to the display of an audiovisual work. A copy of Complainant's advertising brochure containing depictions of three different video game machines is attached to this Order for illustrative purposes. "Video game machine" shall include any of the following:

(1) A finished video game machine which at the time of importation is fully assembled, whether or not tested or packaged, for use or distribution to a purchaser;

(2) A video game machine which at the time of importation is not fully assembled;

(3) A kit which at the time of importation contains all of the components necessary to make it a video game machine.

(I) (1) "Pac-Man audiovisual work" shall mean the audiovisual work which is subject to claim of copywright by Complainant and registered with the Copyright Office as Registration No. PA 83-768. A copy of Complainant's advertising brochure containing one depiction of the "Pac-

Man audiovisual work" in the play mode is attached to this Order for illustrative purposes. "Pac-Man audiovisual work" shall include either the "attract mode" or the "play mode" or both.

(2) "Attract mode" shall mean that portion of the "Pac-Man audiovisual work" which is displayed repeatedly when the Pac-Man game is not being played;

(3) "Play mode" shall mean that portion of the "Pac-Man audiovisual work" which is displayed when the Pac-Man game is being played and in which some of the images, symbols, and sounds are responsive to manipulation of the game machine's controls by the player.

(J) "Pac-Man game" shall mean any video game machine manufactured in any country other than the United States for shipment or export to the United States for resale or use in the United States which displays the Pac-Man audiovisual work. "Pac-Man game" shall include "components," as defined in subsection (K) of this section.

(K) "Components" shall mean:

(1) A printed circuit board which when properly installed in a video game machine causes that video game machine to display the Pac-Man audiovisual work;

(2) Any semiconductor chip which when properly intalled in a printed circuit board, either alone or in combination with other semiconductor chips, creates a printed circuit board which when installed in a video game machine causes that video game machine to display the Pac-Man audiovisual work.

(L) "Trademark" shall mean the term "Pac-Man" or any term confusingly similar to "Pac-Man," including, but not limited to, Puckman, Packman, Puc-Man, and Pac-Pac.

(M) "Copy" shall mean:

(1) Each and every Pac-Man game heretofore or hereafter manufactured which displays, with or without accompanying sounds, an image or a sequence of images which are substantially similar to the Pac-Man audiovisual work; and/or

(2) Each and every video game machine heretofore or hereafter manufactured which displays the trademark.

II

(Applicability)

The provisions of this Cease and Desist Order shall apply to Respondent and to its principals, stockholders, officers, directors, employees, agents, licensees, distributors, controlled (whether by stock ownership or otherwise) and/or majority owned business entities, successors and assigns, all those persons acting in concert with the Respondent, and to each of them, and to all other persons who receive actual notice of this Order by service in accordance with section IX hereof.

III

(Conduct Prohibited)

RESPONDENT SHALL NOT IMPORT, DISTRIBUTE, SELL OR DEAL IN ANY COPY, UNLESS SO AUTHORIZED IN WRITING BY COMPLAINANT.

IV

(Hawaii)

Notwithstanding the provisions of section III of this Order, Respondent may import, distribute, sell, and/or deal in video game machines displaying the trademark, provided that such video game machines are to be used exclusively in Hawaii and not physically removed from Hawaii, and further provided that Respondent is so authorized in writing by K & K Industrial Services, 875 Waimanee St, Honolulu, Hawaii 96814, provided that such video game machines do not constitute Pac-Man games as defined in section I(J) of this Order. If Respondent imports, sells, distributes, or deals in such video game machines, Respondent shall take all necessary steps to insure that such video game machines are physically transported or delivered in Hawaii and not thereafter removed from Hawaii. Such steps shall include, but are not necessarily limited to, express contractual provisions in all documents referring to or referencing the video game machine, which require that the video game machine be so transported or delivered and not thereafter removed, and which require that an identical or substantially identical provision be included in all subsequent documents referring to or referencing the video game machine.

V

(Importation under bond)

Notwithstanding any other provision of this Order, Respondent may import copies into the United States on or after the date of this Order, provided that—

(1) Respondent post a bond with the U.S. Customs Service in the amount of fifty-four percent (54%) of the entered value of each copy so imported;

(2) Respondent notify the U.S. Customs Service in writing on the appropriate Customs declarations that the

articles imported are copies within the meaning of this Order; and

(3) Respondent notify the Commission of the fact of such importation within five business days of each importation, and include with that notification all the particulars of each importation, including all identifying marks (including serial numbers or other distinguishing marks) for each copy so imported.

VI

(Advisory Opinion)

In the event that Respondent cannot determine whether an article is a copy as defined in this Order, Respondent may import into the United States for purposes of an advisory opinion by the Commission, only one sample of such article. Such importation shall be made only under a bond of fifty-four per cent (54%) of the entered value. Immediately upon Customs clearance, such sample shall be forwarded to the Commission with a request for an advisory opinion, pursuant to section 211.54 of the Commission's Rules of Practice and Procedure. (46 Fed. Reg. 17532, March 18, 1981, to be codified at 19 CFR § 211.54).

VII

(Reporting)

1. Respondent shall report to the Commission:

(A) All imports of copies and all sales of imported copies;

(B) All invoices, delivery orders, bills of lading and all other documents concerning each and every import and sale of such copies; and

(C) All brochures, advertisements, catalogues, books, or sales material of whatever type concerning such games.

2. Each report concerning the importation or sale of a copy or concerning an importation or sale under section IV of this Order shall be made no later than five (5) business days after the date of such importation or sale. In the event of an importation or sale under section IV of this Order, each report shall include, in addition to other requirements set forth herein, a complete description, including all supporting documentation, of the steps taken by Respondent to insure that the video game machine is to be physically transported or delivered solely to Hawaii and that it will not be removed from Hawaii.

VIII

(Compliance and Inspection)

Respondent shall furnish or otherwise make available to the Commission or its authorized representatives, upon written request by the Commission, all books, ledgers, accounts, correspondence, memoranda, financial reports, and other records or documents in its possession or control for the purposes of verifying any matter contained in the reports required under sections V and VII of this Order.

IX

(Service of Cease and Desist Order)

Respondent is ordered and directed to:

(A) Serve, within thirty (30) days after the effective date of this Order, a copy of this Order upon each of its respective officers, directors, managing agents, agents, and employees who have any responsibility for the marketing, distribution or sale of Respondent's copies in the United States or for shipment or export to the United States for resale in the United States;

(B) Serve, within thirty (30) days after the succession of any of the persons referred to in Section IX (A) above, a copy of this Order upon each successor; and

(C) Maintain such records as will show the name, title and address of each such officer, director, managing agent, agent and employee upon whom the Order has been served, as described in Section IX (A) and (B) above, together with the date on which service was made.

X

(Enforcement)

Violation of this Order may result in:

1. The revocation of this Order and the temporary exclusion of the articles concerned pursuant to section 337(e); and/or

2. An action for civil penalties in accordance with the provisions of Section 337(f) and such other action as the Commission may deem appropriate.

In determining whether Respondent is in violation of this Order the Commission may infer facts adverse to Respondent if Respondent fails to provide adequate or timely information.

XI

(Duration)

This Order shall be take effect January 15, 1982, and shall remain in effect until the conclusion of Commission investigation No. 337-TA-105 or until revoked or modified by the Commission or disapproved by the President.

XII

(Modification)

This Order may be modified by the Commission on its own motion or on motion by any person pursuant to section 221.57 of the Commission's Rules of Practice and Procedure. (46 Fed. Reg. 17532, March 18, 1981, to be codified at 19 CFR § 211.57.)

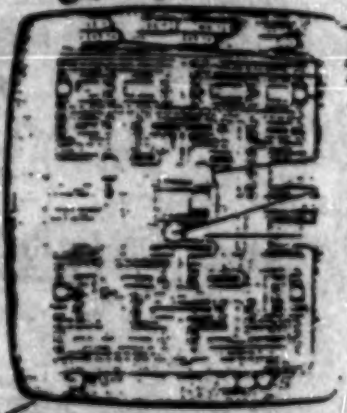
By order of the Commission:

Kenneth R. Mason
Secretary

Issued:

Used with permission

A one-or-two, full-color video game for 1 or 2 players that tickles visions and challenges reflexes. Adding to the fun are musical refrains, chomping and action sounds along with pulsating computer-driven luminous mazes.



HIGH SCORE — Retained and displayed here.

PLAYERS' SCORE

DOTS — 10 Points Each

POWER CAPSULE — 50 Points Each

GHOST MONSTERS

PAC-MAN — The maze man.

ESCAPE 'Warp' TUNNEL — One side to appear on other.

BONUS FRUIT TARGET — Appears twice. Moment's Dots hidden during each race.

NUMBER OF SCREENS CLEARED — Prize indicates how many times player has cleared the screen of dots.

The game, using a single joystick control, guides the PAC-MAN above the maze, scoring points by munching on the Dots in the path. Four Ghost Monsters—Blinky, Pinky, and Clyde—chase after the PAC-MAN trying to capture and deplete him. The PAC-MAN can counterattack by eating the big, Power Capsule Dots which turn the Monsters for additional score. After all the Dots are gobbled up, the screen is cleared, and PAC-MAN continues for another round. Each race features a special Prize Targets in the maze, which if eaten, scores Bonus Points. Players earn race above PAC-MEN. An additional PAC-MAN is awarded for 10,000 points.

PAC-MAN REMAINING

SCORE 840 ON THE CONVEYER ATTACK

1

2

3

BONUS POINT FRUIT TARGETS!

The player is rewarded extra Bonus Points for eating the Prize Targets that appear in the maze.

100 Points

300 Points

500 Points

PAC-MAN is available in 3 Midway cabinets: Tank, Upright, Cocktail. Tabletop and Standard Arcade

HEIGHT WIDTH DEPTH

MIDWAY MFG. CO.
A BALLY COMPANY
10750 West Grand Avenue
Franklin Park, Illinois 60131
Phone: (312) 451-1500
For service information call toll free 800-323-7168

DISTRIBUTED BY:

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OPINION OF THE COMMISSION

Summary

The Commission determines (Commissioner Stern dissenting) that there is reason to believe[1] that there is a violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) by reason of the importation and sale of the Pac-Man coin-operated audiovisual game and components thereof. Specifically, we find that there is reason to believe that the imports infringe complainant's copyrights in the Pac-Man audiovisual work and that, except for the Hawaiian market, the imports infringe complainant's common law trademark rights in the term Pac-Man. We further find that these imports have the effect or tendency to substantially injure an industry, efficiently and economically operated, in the United States and that the industry would suffer immediate and substantial harm absent temporary relief.

With regard to the Rally-X audiovisual game, the Commission determines (Commissioner Frank dissenting)[2] that there is no reason to believe that there is a violation of section 337 because the imports complained of do not have the effect or tendency to substantially injure a domestic industry.

After balancing the likelihood of complainant's success in establishing a violation of section 337, the evidence of immediate and substantial harm to the complainant, harm to other parties, and the public interest, the Commission (Commissioner Stern not participating) determines that temporary relief should be issued in this investigation.[3]

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[1] The standard for determining whether temporary relief may be imposed by the Commission pursuant to section 337(e) is that there be a "reason to believe" a violation exists. In this opinion, it is understood that all our findings are based on this standard and that we do not intend to prejudge these issues as they arise in the remainder of this investigation.

[2] See footnote 9, page 16.

[3] Vice Chairman Calhoun is of the view that, under the scheme of section 337 in general and section 337(f)(1) in particular, the public interest is not a factor to be balanced against other factors.

In this opinion, we agree substantially with the recommended determination (RD) of the Administrative Law Judge (ALJ). Unless stated otherwise, his findings of fact, analysis, and conclusions of law are hereby adopted by the Commission.

Procedural History

Midway Manufacturing Company, Chicago, Illinois, filed a complaint with the Commission on April 17, 1981. The complaint alleged that unfair methods of competition and unfair acts have occurred, including the infringement of the complaint's copyrights in the Rally-X and Pac-Man audiovisual works and the infringement of complainant's common law trademark rights in the terms Rally-X and Pac-Man. The complaint alleged that the unfair methods of competition and unfair acts have the effect or tendency to destroy or substantially injure an industry, efficiently and economically operated, in the United States. The complaint was amended twice. The Commission instituted an investigation into these allegations and published notice thereof in the *Federal Register* of July 1, 1981. 46 Fed. Reg. 34436. Thirty-five parties were named respondents in the investigation.[4]

On July 24, 1981, complainant moved, pursuant to § 210.22(a) of the Commission's Rules of Practice and Procedure (19 CFR § 210.11(a)), to amend the complaint by the addition of an allegation that Artic International, Inc., is infringing complainant's copyright and trademark rights in the

[4] The originally named respondents are: Artic International, Inc.; ATA Electronic Ltd.; Bernard Shapiro d/b/a Bernie's Specialty; Carlin Tiger Shokai, Ltd.; Chens International, Inc.; Eastern Distributing Co.; Eiko Kogyo Co., Ltd.; Ferncrest Distributors, Inc.; Formosa Products Industrial Corp.; Fernandez Fun Factory; Friend Spring Industrial Co., Ltd.; International Scientific Co., Ltd.; Jabras Trade Co., Ltd.; Jay's Industries,; David Kamen d/b/a K & K Games; K & K Industrial Services; Karateco; Kyugo Company, Ltd.; Loson Electrical Co.; Morrison Enterprises Corp.; Nippon Semicon, Inc.; Noma Enterprises; Mike Munves Corp.; Ohtsu International, Inc.; Omni Video Games, Inc.; Penn Regal Vending Co.; Stan Rousso, Inc.; Seagull Industries, Co., Ltd.; Sepac Co., Ltd.; Shoei Co., Ltd.; SP-World-Amusement Co., Ltd.; Sutra Import Corp.; Sutra West; Taito Hawaii Corp.; and Taito of Japan.

Rally-X game. The Commission granted the motion on August 24, 1981, and published notice thereof in the *Federal Register* of September 2, 1981. 46 F.R. 44103.

On July 24, 1981, complainant moved to amend the complaint by the joinder of 33 proposed respondents. On September 21, 1981, the Commission granted the motion with regard to 20 of the 33 proposed respondents.[5] The Commission stated that the 20 parties joined thereby would not be required to appear at the hearing on temporary relief and would not be subject to any *in personam* temporary relief which might be issued pursuant thereto. Notice of the joinder of the 20 respondents was published in the *Federal Register* of September 30, 1981. 46 F.R. 47891.

A hearing on temporary relief was held before the ALJ commencing on September 21, 1981, and terminating on September 30, 1981. Only respondent Artic International, complainant Midway, and the Commission investigative attorney (IA) participated in the hearing. After the close of the hearing, the ALJ certified the record and the RD to the Commission.

On Friday, December 11, 1981, the Commission held a public hearing. During the first phase of the hearing, the Commission heard arguments from the parties regarding the ALJ's recommendation that the Commission find that there is reason to believe that a violation of section 337 exists. During the remainder of the hearing, the Commission heard arguments regarding relief, the public interest, and bonding. The only participants at the hearing were Midway, Artic, and the Commission investigative attorney.

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[5] The additional respondents are: B.P. Allies Co., Ltd.; Buffy Mfg. Co., Ltd.; C. J. Gasper; Haitai International Inc.; Hua Chu Enterprises Co., Ltd.; I. Canstant Co.; Impeuropex Corp. S.A.S.; J. C. Wang & Co.; Jackson & Co., Ltd.; Jing Pung Electric Co., Ltd.; Kyodo Agencies Ltd.; Leijac Co., Ltd.; Mama Top Corp.; Multigold Co., Ltd.; NCA International Import & Export; Sewin Co., Ltd.; Spectron Corp.; Sunyard Corp.; Tiso Enterprises, Inc.; and United States Amusements Inc.

Temporary Relief Standards

Section 337(e) provides that the Commission may issue temporary relief if it finds that there is a reason to believe that there is a violation of section 337. The Commission has discussed the standards for the issuance of temporary relief in two prior cases: *Certain Apparatus for the Continuous Production of Copper Rod*, Investigation No. 337-TA-89, opinion concerning temporary relief, p. 4 (1980) (hereinafter *Copper Rod II*); *Certain Slide Fastener Stringers*, Investigation No. 337-TA-85, p. 23 (April 1981) (hereinafter *Stringers*).

The Commission's practice is derived from Federal District Court practice in actions for preliminary injunctions. The Commission follows the standards set by the U.S. Court of Appeals for the District of Columbia Circuit in *Virginia Petroleum Jobbers Assn. v. Federal Power Commission*, 259 F.2d 921 (D.C. Cir. 1958), as interpreted and refined in *Washington Metropolitan Area Transit Commission v. Holiday Tours*, 559 F.2d 841 (D.C. Cir. 1977) (hereinafter *WMATC*).

Specifically, the Commission examines four factors to determine whether temporary relief should issue:

1. Has the petitioner made a sufficient showing that it is likely to prevail on the merits?

2. Has the petitioner shown that without such relief it will suffer immediate and substantial harm?

3. Would the issuance of temporary relief substantially harm other parties interested in the proceedings?

4. Where lies the public interest?

Copper Rod II, p. 6; *Stringers*, p. 3.

With regard to ultimate success on the merits, the court in *WMATC* stated that such success need not be demonstrated to a mathematical certainty. A preliminary injunction may issue where the movant raises serious questions on the merits, and

the other three factors strongly favor relief. As we stated in *Stringers*—

> [w]here the complainant does not establish the existence of a section 337 violation by a preponderance of the evidence, it may still obtain temporary relief if it raises serious questions regarding the existence of a section 337 violation, presents a compelling case with respect to immediate and substantial harm to the domestic industry, and shows that the respondents will not suffer any significant harm if relief is granted. Once the complainant raises serious questions regarding the existence of a section 337 violation, the *Copper Rod* standard permits the Commission to weigh evidence for and against the issuance of temporary relief. *Stringers*, p. 3.

With regard to substantial injury, the Commission has stated that—

> [I]n Commission practice, the concept of 'immediacy' means that the anticipated harm must be likely to occur before the Commission is able to issue permanent relief. The notion of 'substantial harm' requires that the injury to the domestic industry be so significant that it would not fully recover from the harmful effect of the 337 violation once permanent relief was [sic] granted." *Stringers*, 23.

In balancing the four factors, each must be analyzed individually and then weighed against one another.[8]

Copyright Infringement

There are two elements which must be established to prove copyright infringement: (1) ownership of the copyright at issue, and (2) copying by the respondent. *Coin-Operated Audio Visual Games and Components Thereof*, Investigation No. 337-TA-87, USITC Pub. No. 1160 (1981) (hereinafter *Games I*). See also Nimmer, *The Law of Copyrights*, § 1301 (1981 Ed.). Copyright ownership depends upon the following five elements:

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[8] See footnote number 3, page 2.

1. Originality in the author;

2. Copyrightability of the subject matter;

3. Citizenship status of the author, such as to permit a claim of copyright;

4. Compliance with applicable statutory formalities; and

5. If the plaintiff is not the author, a transfer of rights or other relationship between the author and the plaintiff so as to constitute the plaintiff the valid copyright claimant.

Games I, p. 13.

Copying depends upon the following elements:

1. Access to the work by the alleged infringer; and

2. Substantial similarity between the works of the complainant and the respondent.

Games I, 17.

A. Copyright ownership.

A critical question raised by this investigation is whether the audiovisual work which forms an integral part of the audiovisual game is subject matter of copyright. The ALJ found that such an audiovisual work is subject matter of copyright, relying on the Commission's opinion in *Games I*.

In *Games I*, all respondents defaulted. The Commission based its determination on the *prima facie* evidentiary showing made by the complainant and on the presumption of copyright validity which attaches to the issuance of a certificate of registration under 17 U.S.C. § 410(c). No evidence was brought forward to rebut that presumption. *Games I*, pp. 14-16. Therefore, the issue of the copyrightability of the subject matter remains to be resolved in this investigation.

Notwithstanding the ALJ's misplaced reliance on our decision in *Games I*, he nevertheless proceeded to an independent conclusion that there is reason to believe that the audiovisual sual works at issue are subject matter of copyright. We agree with his preliminary analysis. It is clear that copyright protection subsists in original works of authorship fixed in any tangible medium of expression, including motion pictures and other audiovisual works. 17 U.S.C. § 102(a). Fixation, in turn, requires an embodiment of the work sufficiently stable or premanent to permit it to be perceived or reproduced for a period of more than transitory duration. 17 U.S.C. § 102. As the ALJ stated, the audiovisual works at issue here fit these requirements. He found that the audiovisual works were created in their own right, as separate and distinct elements in the complex process of developing an electronic game. RD, p. 46.

In addition, there have been several recent decisions by federal district courts holding that the audiovisual works embodied in video game machines are subject matter of copyright. *Stern Electronics v. Kaufman, et al.*, 523 F.Supp. 635 (E.D.N.Y. 1981) *affirmed*, No. 81-7411 (2nd Cir. Jan. 20, 1982)[7]; *Midway Mfg. Co. v. Dirkschneider, et al.*, Civ. No. 81-C-243 (D. Nebr. filed July 15, 1981). These considerations support the conclusion that these works are proper subject matter of copyright.

B. Copying.

As noted above, copying of a protected work is generally established by evidence of access and substantial similarity between the two works. *Games I*, 17. To prove access, complainant need only prove that the respondents had a reasonable opportunity to view and hear the work for which protection is sought. The ALJ found that there is ample

[7] The *Stern* appeal was decided after the Commission made its determination but before the issuance of this opinion.

evidence on the record of respondents' opportunities to view the work, both in Japan and the United States. Moreover, access need not be proven where the similarities between the works are sufficiently striking so that access may be inferred from the fact of copying. *Nimmer*, § 13.02[B]; *Arnstein v. Porter*, 154 F.2d 464 (2d Cir. 1946). This type of striking similarity may be found where both works, as here, contain similar errors (the "X position" in the Pac-Man game). Tr. 99-102. *Testa v. Janssen*, 492 F.Supp. 198 (W.D. Pa. 1980).

From the ruling of the ALJ and from the Commission's own observation, there is no question that the respondents' games are more than substantially similar to complainant's. RD, pp. 17-20. We concur with the ALJ that both elements of access and substantial similarity are present in this investigation.

Affirmative Copyright Defenses

The only active respondent in this investigation, Artic International, Inc., has raised a number of points which, it alleges, defeat copyright protection for the audiovisual works at issue. Some of the arguments are directed to copyrightability of the subject matter and some of them are directed toward statutory formalities. To the extent that these raise factual issues, the ALJ concluded that Artic had not met its burden of proof on any of these issues at this stage of the investigation. We concur. Nevertheless, we believe it useful to discuss one argument raised by the respondent.

17 U.S.C. § 205(d) states that no suit for copyright infringement may be maintained until the instrument of transfer under which the plaintiff claims title has been recorded in the Copyright Office. The ALJ found that such recordation is applicable to section 337 and that Midway has complied with the statutory requirements since it recorded the instruments

under which the actual grant of rights took place. RD, p. 50. Although we agree with the ALJ's recommendation at this stage, we believe that the issue should be more fully explored in the final phase of the investigation.

We note, first, that under the Copyright Act of 1976 a copyright is divisible. A transfer may encompass less than all the rights of a copyright. Thus, there may be two or more transfers regarding any one copyright. In order to avoid confusing or misleading the public or other transferrees, each transferree must record the rights it has obtained in the copyright. *See Nimmer* §§ 10.07[A], 12.08. The plain language of the statute and the legislative history confirm this conclusion.

It is apparent from a review of the materials on record in this investigation (CX 115, CX 116, CX 127, and CX 128) that we are dealing with three documents for each of the games at issue. Chronologically, the first document is an assignment document dated October 10, 1980. The second document is dated October 11, 1980. The third document is the licensing agreement between Namco (the creator of the games) and Midway, entered into on November 4, 1980. The assignment dated October 10, 1980, purports to transfer to Midway all right, title, and interest in the copyrights. However, from a review of the other two documents, it is possible to conclude that the parties did not intend to transfer all copyright ownership in each game. Thus, we are faced with the task of interpreting the three documents and determining the intent of the parties. Only after a full examination of the documents (including the taking of additional evidence, if the ALJ finds it necessary) will it be possible to determine whether the deposit of October 10 assignment is the document which actually transferred the rights or a "short form" thereof. See *Nimmer* § 10.07[A], note 2.

This matter is significant because the recordation of a transfer of rights is a necessary prerequisite to a suit for

infringement. 17 U.S.C. § 205(d). Thus, if the actual transfer of rights occurs in the licensing agreement of November 4, and the assignment of October 10 does not constitute a short form of that agreement, then there may not have been a proper registration of the transfer of rights.[8]

Trademark

The acquisition of common-law trademarks derives from the actual use of a mark to distinguish the goods or services of one merchant from those of another. J. McCarthy, *Trademark and Unfair Competition*, § 16.1 (hereinafter *McCarthy*). In the case of inherently distinctive marks, trademark ownership is acquired immediately upon such use and is controlled by priority of use. *McCarthy* § 16.1.A. and cases cited therein. That is, the first user of an inherently distinctive mark becomes the owner thereof.

In addition to priority of use, complainant must demonstrate four elements in order to establish the existence of a common-law trademark:

1. The mark must be distinctive;

2. The mark must be arbitrary and created for the express purpose of serving as a trademark;

3. The mark, if a design, must be nonfunctional; and

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[8] Commission Frank requests that the ALJ review carefully whether there has been a proper recordation of the transfer documents. Specifically, Commissioner Frank requests that the ALJ analyze:

(1) whether the intent of the parties was to transfer the rights to Midway in the October 10 assignment or in the November 4 agreement;

(2) whether the October 10 assignment or the November 4 agreement in fact transferred those rights; and

(3) if the November 4 agreement actually transferred those rights, whether the October 10 assignment can be viewed as a "short form" filing. *See* Nimmer § 10.07A.

4. The mark must have achieved secondary meaning, unless the mark is either "suggestive" or non-descriptive, i.e., arbitrary and fanciful.

Games I, p. 7; *Certain Novelty Glasses*, inv. No. 337-TA-55, USITC Pub. 991 (1979).

In order to demonstrate infringement, the trademark owner must demonstrate that there is a likelihood of confusion between its goods and the goods of another by reason of the similarity of the other's mark. *Games I; Novelty Glasses, supra.*

Except as discussed below, the ALJ found that Midway was the first user of the marks, that the marks meet each of the elements listed above, and that there is a likelihood of confusion. We concur with the ALJ.

With regard to Midway's common-law trademark in the term Pac-Man, the ALJ has concluded that there is evidence of prior sales in a particular geographic area (Hawaii) using a confusingly similar mark by K & K Industrial Services. This use was prior to any solicitation of sales or advertisement resultant from Midway's activities at a trade association show on October 30, 1980, the apparent first public showing in the United States of the Midway Pac-Man game. While Midway has demonstrated that it was the first user of the mark in all markets except Hawaii, the ALJ found that Midway had not met its burden of demonstrating that it was the first user in Hawaii. Therefore, the ALJ concluded that Midway could not preclude the use of the trademark in Hawaii. RD, 62. We concur with the ALJ to the extent that Midway is precluded from ousting a good faith prior user of the Pac-Man trademark or its licensees.

Following the conclusion of the hearing before the ALJ, complainant has offered a new reason why Midway should be found to be the exclusive holder of the trademarks, including the Hawaiian market. Specifically, complainant argues that

K & K has abandoned the trademark. The alleged abandonment occurred because K & K entered into a preliminary injunction by stipulation in a Federal District Court under which it has agreed to cease dealing in goods bearing that name for purposes of the injunction, unless those goods are acquired from Midway. *Midway Mfg. Co. v. KK Industrial Service Co.*, No. CIV 81-676 PHX-CAM (D.Ariz., filed July 27, 1981).

While it may be that K & K has abandoned its trademark rights, if any, in the term Pac-Man or Puckman, abandonment has not been demonstrated to our satisfaction on the present record. We are unwilling to conclude that K & K has abandoned its trademark rights in the Hawaiian market based on a stipulated preliminary injunction. In fact, in the only case authority we have found, it has been held that the non-use of a trademark pending the outcome of litigation to determine the right to use such mark constitutes excusable nonuse sufficient to overcome an inference of abandonment. *Penthouse International, Ltd. v. Dyn Electronics, Inc.*, 196 U.S.P.Q. 251, 247 (T.M.Bd. 1977).

In the event that the preliminary injunction is converted into a permanent injunction, stipulated or otherwise, then the Commission would be faced with a final judgment on the issue of the trademark rights. Such a judgment would be entitled to considerable weight by this Commission.

Injury

In order for complainant to demonstrate its entitlement to temporary relief it must show not only that the unfair acts have the effect or tendency to substantially injure an industry, but also that it will be immediately and substantially harmed absent such relief. *Copper Rod II; Stringers.*

We note at the outset that a holder of a monopoly right, such as a patent or a copyright, has the exclusive right to the

exploitation of its property, unless it has licensed another. Therefore, when considering such rights, one of the indicators of injury frequently examined by the Commission is sales lost to others by the holder of the exclusive right. Each sale of an infringing item is usually a sale that should have gone to complainant and, once such a sale is made, it is irretrievably lost to complainant.

Complainant has argued that there is a finite number of locations for placement of games and that only one game may be placed at each such location. Transcript 381-82, 625A-626A. While it is apparent that the audiovisual game industry is expanding, it is equally apparent that if a sale goes to an infringing game at a new location, that sale is irretrievably lost to complainant.

In this investigation, it is difficult to determine the exact number of lost sales. All respondents except Artic have defaulted, and Artic has begun invoicing its printed circuit boards in such a manner that the Commission cannot determine which sales are for the boards at issue. Nevertheless, a limited amount of deposition testimony and other evidence was obtained from some respondents which demonstrate both importations and sales of infringing games. In addition, the record refers to complaints by Midway's distributors of a substantial number of sales lost to infringing games. Tr. 638. Thus, complainant appears to have presented us with all the evidence it could reasonably obtain regarding lost sales.

It is uncontroverted that the market for a given audiovisual game is short-lived. Even though Pac-Man is a very successful game, the evidence of record indicates that Midway expects to cease production of the game about March 1982. Tr. 423. In addition, the evidence demonstrates a high level of import availability and multiplicity of potential suppliers. Thus, we are faced with a situation where multiple sales have already been lost and there is a strong likelihood of additional lost sales.

The harm to the complainant is not limited to tangible losses in terms of profits and sales, but also includes harm to intangible business assets. In this regard we note particularly that the function of a trademark is to identify the origin of the goods to which the mark is affixed. What is important and worth protecting is the representation that the mark symbolizes that all goods bearing that mark come from a single source and have a known quality. Therefore, a successful trademark is a valuable asset because of its ability to stimulate further sales. Unrestrained infringement not only deprives the owner of present sales to which it may be lawfully entitled, but it causes harm to the rightful owner's ability to attract future sales, a harm which is of immeasurable value. Thus, it is difficult to calculate the amount of injury even when the fact of injury is clear. In the instant case, the infringements clearly have the effect of diluting the goodwill created by the complainant's trademark. CS 72, CX 111. This goodwill is a valuable, albeit intangible asset. Once this asset is lost, it may never be recovered. Therefore, we agree that there is immediate and substantial harm to the domestic industry.

With regard to the Rally-X game, the record is clear that the game is now out of production and that Midway has no current plans to continue production of the game. Complainant asserts nevertheless that there are certain sales and service functions still taking place which may meet the substantial harm standard. Nevertheless, we concur with the ALJ that the Rally-X industry is in a permanent downward trend and that any injury from imports is negligible. Thus, we find that there is no reason to believe that imports of the complained of Rally-X games or components thereof have the effect or tendency to substantially injure a domestic industry.[9]

[9] Commissioner Frank determines that there is reason to believe that there is a violation of Section 337 of the Tariff Act of 1930 by reason of the importation and sale of Rally-X infringing copyright and trademark rights of the Complainant. Commissioner Frank finds there is reason to believe that there is injury to the domestic industry

(Footnote continued on following page)

Parties

We concur with the ALJ in his determination of those parties for whom there is a reason to believe that a violation exists. Findings of fact nos. 20-28. The ALJ found that such reason to believe exists for 18 respondents.[10] Of the remaining respondents,[11] complainant filed exceptions to the four respondents covered by finding of fact No. 24.[12] We affirm the ALJ at this time with regard to these four.

The ALJ found that these four respondents are not owners, importers, consignees or agents within the meaning of section 337. RD, p. 82. His conclusion is apparently based on his findings that the activities of these respondents were conducted solely with other domestic respondents. RD, p. 82. We are therefore faced with the question of whether individuals or firms who purchase imported articles from other domestic firms fall within the subject matter jurisdiction of the Commission under section 337. This issue has been recently argued to the Commission in *Certain Molded-In Sandwich Panel Inserts*, investigation No. 337-TA-99. We reserve judgment on this issue at this time, and trust that it will be fully explored during the remainder of this investigation.

(Footnote continued from preceding page)

by reason of such imports. This Rally-X market, albeit relatively small, has sales of spare parts, service, and repair industry activities for Complainant. This injury would be reflected in Complainant having to carry unwanted inventory in times of high interest, possible layoffs of personnel, and other factors. Furthermore, because of the imports, production of the Rally-X by Complainant may not be resumed even if market conditions indicated some growth in the popularity of this particular videogame.

[10] The respondents are: Artic International, Inc.; Carlin Tiger Shokai, Ltd.; Ferncrest Distributors, Inc., Formosa Products Industrial Corp.; Friend Spring Industrial Co., Ltd.; International Scientific Co., Ltd.; Jay's Industries; Loson Electrical Co.; K & K Industrial Services; Kyugo Company, Ltd.; Morrison Enterprises Corp.; Nippon Semicon, Inc.; Omni Video Games, Inc.; Stan Rousso, Inc.; Seagull Industries Co., Ltd.; Sepac Co., Ltd.; Shoei Co., Ltd.; and SP-World-Amusement Co., Ltd.

[11] As noted, the 20 respondents added to this investigation on Oct. 21, 1981, are not subject to any *in personam* relief.

[12] The four respondents are: David Kamen; Mike Munves Corp.; Penn Regal Vending Co.; and Fernandez Fun Factory.

Harm to Other Parties

We note that all respondents except Artic have defaulted. None of them, including Artic, have presented any evidence or argued that they would be harmed by the issuance of temporary relief. Absent such evidence or arguments, the Commission cannot find that they would be harmed by the issuance of temporary relief. Moreover, respondents are permitted to import the allegedly infringing articles during the remainder of this investigation upon posting a bond with the U.S. Customs Service. If respondents prevail at the time of the Commission's final determination or if the President disapproves this preliminary relief, the bond will be refunded. Thus, harm to the respondents, if any, will be minimal.

Remedy

The Commission has determined to issue temporary cease and desist orders rather than exclusion orders, primarily on the basis of a letter from the U.S. Customs Service.[13] [14] In that letter, Customs states that detecting infringing games and components is impossible if the game equipment is not identified with a name similar to those at issue here. In order to determine applicability, a Customs Inspector would need to observe the game plugged into a power supply, and the usual inspection sites do not have the means for such an examination. In addition, Customs notes that assembly is required in some cases, and Customs Inspectors have neither the time nor the means for such a task. With regard to the printed circuit boards, Customs states that whether they infringe cannot be readily determined by mere inspection, since today far too

[13] Letter dated December 9, 1981, and received by the Secretary to the Commission on December 11, 1981.

[14] The orders direct the named respondents to cease and desist from he importation and sale of (1) the Pac-Man audiovisual game and components thereof, and (2) any video game machine which displays the trademark Pac-Man, unless authorized by complainant or unless a bond is posted.

many items require such boards. Customs concludes that an exclusion order would be, in effect, unenforceable.

Nevertheless, we note that complainant has argued that the exclusion order issued in *Games I* is proving to be an effective remedy. To resolve this difference of views, the Commission would like additional information from the parties regarding the advantages and disadvantages of the various possible forms of permanent relief.[15]

Public Interest

The Commission is authorized by section 337 to issue temporary relief if it finds that there is reason to believe that there is a violation of the statute and if it finds that the enumerated public interest considerations do not preclude relief. In this investigation, there is no apparent adverse impact on health and welfare, competitive conditions, the production of like or directly competitive articles, or on consumers. The issuance of temporary relief will not deprive the consuming public of the availability of Pac-Man games nor will the

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[15] Commissioner Frank dissents from the majority's recommendation of a cease and desist order as the appropriate enforcement mechanism to provide a remedy of temporary relief to Complainant. He believes at this time a broad temporary exclusion order covering all games and game machines and components thereof which infringe the trademark or copyright to be the most appropriate remedy.

Commissioner Frank believes that a broad temporary exclusion order would be a more effective remedy. Its implementation would utilize less Commission resources for enforcement than cease and desist orders. Moreover, cease and desist orders initially place the burden of identification of alleged violations and parties alleged to perpetrate such violations on the Complainant. Given the nature and market distribution of the articles in question, the rapidity in which harm might be incurred before the Commission's enforcement mechanisms under cease and desist orders might be effective, as well as the initial burden and expense placed on complainant, Commissioner Frank believes a temporary broad exclusion order is more appropriate. Furthermore, if the physical exhibits in the investigation are representative, Customs Officials should experience little difficulty distinguishing infringing articles from noninfringing articles.

Even though U.S. Customs Service has indicated there are difficulties with enforcement of exclusion orders, it is important to note here the Complainant is satisfied with the effectiveness of the exclusion order issued in *Games I*.

issuance of temporary relief result in harm to competition. It is very apparent in this investigation there are many coin-operated audiovisual games on the market and that there is strong competition among their manufacturers and inventors. Therefore, the Commission finds that there is no adverse impact on the public interest by the issuance of the above-described temporary relief.

Bond

The Commission has determined that the appropriate level of bond during the period of interim relief is 54 percent of the entered value of the articles in question.

The amount of the bond, according to the legislative history of section 337, should be set at an amount which will offset any competitive advantage obtained by the importation of the allegedly infringing items. S. Rep. 93-1298, 93rd Cong., 2d Sess. 198 (1974). In part, we have calculated the amount of the bond as the difference between the weighted average of the value of the imports, and the domestic price. In this investigation, however, we do not have exact figures for the quantity of imports. Therefore, we have calculated the average price for the imported games of which we are aware, without considering the quantity of such imports. This average price was compared with the sales prices of the complainant's articles to arrive at the amount of the bond.

VIEWS OF COMMISSIONER PAULA STERN

Having weighed the complainant's likelihood of success on the merits, immediate and substantial harm to the complainant should temporary relief not issue, potential harm to other parties from temporary relief, and the public interest, I find that temporary relief is not appropriate in this investigation.[1]

Likelihood of Success on the Merits

The majority concedes that there are several questions remaining on the validity of the complainant's claim to copyright. However, the majority opinion fails to take account of the gaps these questions could tear in the overall fabric of complainant's case. There are questions regarding the recordation of the documents of transfer and the conduct of Midway in its dealings before the Copyright Office. These outstanding issues clearly call into question the likelihood of complainant's succeeding on the merits.

The ALJ found that there is reason to believe that there is a valid copyright in the audiovisual works at issue here. In reaching this conclusion he relied on our opinion in *Games I*.[2] As stated by the majority, our decision in *Games I* was based on the unrebutted statutory presumption of copyright validity which arises from the issuance of a certificate of copyright registration.[3]

Although the majority states that the ALJ then proceeded to an independent analysis, it seems to me that he did not consider whether these audiovisual works are subject matter of

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[1] I concur with the majority's discussion of the procedural history, the standards for temporary relief, and the trademark issue. I also concur in the majority's discussion of the issues relating to Rally-X. I do not reach the issues of the form of temporary relief and of bonding.

[2] Certain Coin-Operated Audio-Visual Games and Components Thereof, Investigation No. 337-TA-87, USITC Pub. No. 1160 (1981) (hereinafter *Games I*).

[3] 17 U.S.C. 410(c).

copyright, *per se*.[4] Rather, he considered the objections raised by the respondent, found them insufficient to rebut the presumption of validity, and concluded that the works are protectible subject matter.[5]

Apart from copyrightability, there are several remaining questions which affect my analysis of the likelihood of success on the merits. One unresolved copyright issue is whether there has been a proper recordation of the transfer of the copyright from Namco, the Japanese owner, to Midway. 17 U.S.C. 205(c), relating to recordation of transfers, states:

> (d) Recordation as Prerequisite to Infringement Suit.—No person claiming by virtue of a transfer to be the owner of copyright or of any exclusive right under a copyright is entitled to institute an infringement action under this title until the instrument of transfer under which such person claims has been recorded in the Copyright Office, but suit may be instituted after recordation on a cause of action that arose before recordation.

If complainant has not filed the instrument of transfer under which the copyright is claimed, then an action for infringement may not be maintained.[6]

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[4] I am aware of the recent court decisions on the copyrightability of audiovisual works embodied in video game machines. Stern Electronics v. Kaufman, 523 F. Supp. 635 (E.D.N.Y. 1981), *aff'd*, No. 81-7411 (2d Cir. Jan. 20, 1982); Midway Mfg. Co. v. Dirkschneider, Civ. No. 81-C-243 (D. Nebr. filed July 15, 1981). The Stern case was decided on appeal after the Commission's vote in this investigation.

[5] The images which appear on the screen during the play mode appear to be of transient duration. It is true that such images are fixed in the computer software, as are all portions of the audiovisual works. However, the images which appear and the sequence in which they appear are controlled by the player. Thus, it is unlikely that any specific image or sequence of images in the play mode can be reproduced at will, even by an expert player. Therefore, even though the complainant argues that the protection of the audiovisual work extends to the play mode, I have reservations. Moreover, it seems to me that in seeking to protect the play mode, complainant could be seeking to protect the underlying software which embodies the machine's responses to the player's stimuli. This case is based on the audiovisual displays, not on the software, and the Commission must be careful not to extend unwarranted protection.

[6] *See* Burns v. Rockwood Distributing Co., 481 F. Supp. 841 (N.D. Ill. 1979).

Respondent Artic alleges that this requirement has not been met. It argues that the transfer of rights in each game occurred in paragraph 2(b) of exhibits CX 127 and CX 128, and not in the documents filed with the Copyright Office.

17 U.S.C. 205(d) is analagous to the provisions for obtaining a certificate of registration as a prerequisite to an infringement suit.[7] Therefore, the same standards may be applied to the deposit of transfer documents as are applied to registering claims to copyright. The standard of disclosure in an application for the registration of a copyright is relatively high. A leading case in this area states:

> The knowing failure to advise the Copyright Office of facts which might have occasioned a rejection of the application constitutes reason for holding the registration invalid and thus incapable of supporting an infringement action, . . . or denying enforcement on the grounds of unclean hands.

Russ Berrie & Co., Inc. v. Jerry Elsner Co., Inc., 482 F. Supp. 980, 988 (S.D.N.Y. 1980).[8] In *Russ Berrie*, plaintiff's knowledge of a preexisting work in the public domain and a conscious policy on its part not to disclose that work to the Copyright Office were held to constitute an intentional withholding of information in the face of a specific and clear direction to disclose. In *Russ Berrie*, copyright enforcement was denied.

If Midway's recordation of the transfer of rights is accurate, or if it contains only innocent misstatements or technical mistakes, then it would be sufficient to sustain this action. If,

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[7] 17 U.S.C. 411.

[8] At least one court has stated that an innocent misstatement in the affidavit and certificate of registration, unaccompanied by fraud, does not invalidate the copyright. Advisors Inc. v. Wilsen-Hart, Inc. 238 F.2d 706, 708 (6th Cir. 1956), and merely technical omissions are probably insufficient to deny enforcement. Champion Map Corp. v. Twin Printing Co., 350 F.Supp. 1332 (E.D.N.C. 1971). An innocent mistake in the registration of the work that is not prejudicial to the alleged infringers or to the public will not invalidate the registration. National Comics Publications v. Fawcett Publications, 191 F.2d 594 (2d Cir. 1951). The test is substantial and good faith compliance with the deposit and registration requirements of the Act. Freedman v. Milnag Leasing Corp., 20 F. Supp. 802 (S.D.N.Y. 1937); Russ Berrie, *supra*.

however, Midway knowingly failed to deposit the actual instrument of transfer, or a "short form" thereof[9], then it has not properly recorded its transfer and, thus, may not have met the jurisdictional prerequisites to an action for infringement.

It is apparent from a review of the materials at CX 115, CX 116, CX 127, and CX 128, that we are dealing with three documents for each of the games. Chronologically, the first document for the Pac-Man games is a document entitled "ASSIGNMENT OF COPYRIGHTS" (hereinafter Assignment), under which Namco transferred to Midway "the entire right, title and interest in common law and statutory copyrights in and to said game in the United States and The Western Hemisphere." It is dated October 10, 1980 and was filed with the Copyright Office on November 13, 1980. The second document (hereinafter Letter) is dated October 11, 1980. Finally, there is for each game a License Agreement, entered into on November 4, 1980 (hereinafter Contract).[10]

Under these circumstances, we must first ask which document prevails in case of a conflict between the Contract and the Assignment and which document transferred the copyrights. Even without the use of extrinsic interpretative aids, the parties' intent is made very clear from the Letter: the Contract embodies the true intent of the parties.[11]

If the Assignment were the controlling document, as alleged by complainant, then there would seem to be no need for the Letter. In fact, its existence may be construed as an admission that the assignment does not reflect the true intentions of the parties and was prepared for purposes of deposit with the Copyright Office.

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[9] *See* M. Nimmer, Nimmer on Copyright § 10.07[A] note (1981) (hereinafter *Nimmer*).

[10] Like the Assignment, the contract contains [information withheld]. However, unlike the Assignment, there are [information withheld] under the Contract. First, [information withheld].

[11] My concern about whether proper recordation has occurred is reinforced by reference to the provisions of the Contract. The provisions include the [information withheld]

Therefore, the Assignment does not appear to be the document which transferred the rights. It does not accurately reflect the full extent of the rights held by Midway, nor does it reference any other document which sets forth the full extent of the rights assigned. Thus, the Assignment does not appear to qualify as a short form filing.[12]

The majority also takes note of this problem and asks for further exploration of the issue. While, I, too, want further analysis of this issue, there is ample reason at this time for the Commission to believe that the transfer document filed with the Copyright Office may not comply with the requirements of 17 U.S.C. 205(d). This decreases the likelihood of complainant's succeeding on the merits and significantly weakens its case for temporary relief.

A second copyright issue involves the question of whether Midway acted inequitably in obtaining registration of its claims to copyright. Respondent Artic argues that a deposit of the videotape was not the proper means to claim copyright in an audiovisual work and that the videotape deposit, at best, registers a claim to copyright in the "movie" contained in the videotapes.

The ALJ recognized that the works as originally published are not identical to the works as deposited. However, he found that the discrepancy is of no importance, because there are no copyrightable differences between the deposit and the original publication. The ALJ cited CX 119, a series of letters exchanged between the Copyright Office and counsel for the complainant in which the Copyright Office says that it will accept videotapes for deposit *if* there are no copyrightable differences. The testimony of the Chief, Examining Division, Copyright Office, consists of a description of what constitutes copyrightable differences.[13] The witness did not state that there

[12] *See* Nimmer § 10.07[A] note.

[13] Transcript, September 23, 1981, pp. 602-603.

are no copyrightable differences between the deposit and the work as first published. In fact, no testimony exists to indicate that she was ever given a chance to observe the work as first published and compare that with the work as deposited. Thus, the record does not clearly establish whether there are any copyrightable differences.

The record indicates that in making the deposits at issue here (including the deposit for the Galaxian game, which seems to have set the pattern for the present deposits), the Copyright Office was not accepting computer chips as deposit copies.[14] In addition, it appears that Midway was seeking some alternative deposit form.

The deposit required of a work first published outside the United States is one copy of the work as first published.[15] This would have required that the complainant offer to the Copyright Office a game machine, since this was the form in which the work was first published. There is no evidence that Midway offered to deposit such a machine.

Copyright Office procedures establish that complainant should have requested special relief from the deposit requirements.[16] The ALJ concluded that failure to request special relief may be immaterial, since complainant received what it thought to be special relief. The ALJ also found that failure to comply literally with the requirements should not estop complainant from seeking protection.[17] Based on this record, I am not prepared to determine whether complainant's failure to request special relief vitiates its deposit.

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[14] Transcript, September 25, 1981, pp. 528-30.

[15] 17 U.S.C. 408(b)(3).

[16] 37 CFR § 202.20(d).

[17] Recommended Determination (hereinafter RD), 54. It must be noted that special relief for deposits of audiovisual games was later granted by the Copyright Office, but that such grant has no retroactive implications. Transcript, September 25, 1981, p. 611.

Artic also argues that there was no deposit of the videotape as identifying material and, therefore, copyright protection extends only to the "movie" contained in the videotape. It is clear from the record that there was no attempt to treat the videotape as identifying material under 19 CFR § 202.21. Thus, I see no need to attempt here to determine what, if anything, the videotape might be identifying. If the videotape deposit is complete in and of itself—which it would presumably not be if it were identifying material—then the extent of protection granted is for the work embodied in the videotape only.

There are other questions regarding the conduct of Midway at the Copyright Office. For example, the record shows that the Copyright Office policy was "to study works that were deposited for registration which might involve computer programs or computer chips."[18] It is uncontested that the games at issue here involve both. It is equally clear that Midway's attorney stated that, to the best of his knowledge (apparently he had not been otherwise informed by Midway), the game was "hard-wired," and not based on computer software. At this point, one can only speculate whether a registration certificate would have issued had the Copyright Office known that computer chips or computer software are involved.

The testimony of record indicates that the examiner was not informed that the videocassette used for deposit purposes was made in the United States although the work was first published in Japan.[19] He was not informed that the videocassette was recorded after the date of first publication.[20] He was not told that the videocassette had been made specifically for deposit with the Copyright Office.[21] He was not told that the videocassette had not been publicly distributed in the United

[18] Transcript, September 25, 1981, p. 626.
[19] Transcript, September 25, 1981, pp. 668-69.
[20] Transcript, September 25, 1981, p. 669.
[21] Transcript, September 25, 1981, p. 669.

States.[22] The examiner indicated that if he had been told these facts, correspondence with the complainant or its attorney would have resulted. The record discloses no such correspondence.

Additionally, the record is not clear regarding whether the Copyright Office had been informed that it was dealing with audiovisual displays of a videogame, or whether this fact became apparent only after a viewing of the videotape at a later date.

Therefore, while I am unwilling to make a determination that there is reason to believe that inequitable conduct occurred, serious questions remain. I trust that this matter will be more fully explored during the remainder of this investigation. In any event, the above questions cloud the likelihood of complainant's succeeding on the merits in this investigation.[23]

Immediate and Substantial Harm[24]

Turning to the second factor to be weighed, I find that the domestic industry is not faced with injury sufficient to meet the standards for temporary relief.

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[22] Transcript, September 25, 1981, pp. 669-70.

[23] During the course of these proceedings, the respondent has also argued that there is no proof of copying and that there can be no copyright protection since the work was first published without copyright notice in Japan. Under both of those arguments, respondent raises a matter which requires some further attention: the copyright status of the work in Japan before the western hemisphere rights to it were transferred to Midway. the specific issue to be faced is whether the audiovisual work was in the public domain in Japan and, therefore, free for anyone to copy. The burden of proof on this matter rests with respondents.

[24] The standard for the issuance of temporary relief, as noted by the majority, involves "immediate and substantial harm." Certain Slide Fastener Stringers, Inv. No. 337-TA-85, USITC Pub. No. 1141 (1981), p. 23 (hereinafter Stringers). The test for immediacy is that the harm be likely to occur before the Commission is able to issue final relief. The test for substantiality is that the injury must be so significant that complainant would not fully recover from the effects of a violation even if permanent relief were later granted. *Stringers*, p. 23. It seems to me that these standards are tantamount to irreparable harm.

Section 337(a) directs the Commission to determine the existence of—

> [U]nfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. 19 U.S.C. 1337(a).

The statute sets forth two elements which the Commission must find before it can find that a violation of the section exists: (1) an unfair method of competition or unfair act; and (2) injury to an efficiently and economically operated domestic industry. There must be a causal connection between the unfair acts and the injury. The existence of unfair acts or unfair methods of competition, by themselves, are insufficient to justify relief under this statute.[25]

In an investigation in which temporary relief is requested, the Commission has determined that injury to the domestic industry must be both immediate and substantial.

> [I]n Commission practice, the concept of "immediacy" means that the anticipated harm must be likely to occur before the Commission is able to issue permanent relief. The notion of "substantial harm" requires that the injury to the domestic industry be so significant that it would not fully recover from the harmful effects of the section 337 violation once permanent relief was granted. *Stringers*, pp. 22-23.

Commission precedent establishes that the analysis of the elements of immediacy and substantiality are factual and depend on the particular circumstances of each investigation.[26] In *Copper Rod II*, the harm was seen as both immediate and

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[25] *See* Dissenting Opinion of Commissioner Paula Stern, Certain Headboxes, Inv. No. 337-TA-82, USITC Pub. 1138 (1981), p. 1 (hereinafter *Headboxes*).

[26] *Stringers*, pp. 23-24; Certain Apparatus for the Continuous Production of Copper Rod, Inv. 337-TA-89, USITC Pub. 1132 (1981), pp. 17-18 (hereinafter *Copper Rod II*).

substantial, since the importation was imminent, and the machinery in question was both very expensive and infrequently sold.[27] In *Stringers*, however, low levels of import penetration, healthy profit margins, declining imports, and other factors led the Commission to conclude that there was neither immediacy nor substantiality.[28]

In the present investigation, I believe the evidence does not support a finding of immediate and substantial harm. The evidence of record indicates that this industry is healthy and growing. In fact, as conceded by the majority, the only evidence of injury are some lost sales and potentially some lost goodwill in the trademarks.

Although the ALJ found a certain number of lost sales[29], I cannot find that figure supported in the record. Instead I find evidence of two-thirds of the number of lost sales found by the ALJ (as of the time of the hearing before him, September 21, 1981).[30] I doubt that this smaller figure is a serious underestimation of lost sales in view of the extensive discovery undertaken by the complainant in this investigation. The majority seems to imply that lost sales are, by themselves, evidence of injury sufficient to meet the immediate and substantial harm test. I disagree with this analysis because it equate injury with the unfair acts and thereby removes the injury requirement from the statute.[31]

Lost sales must be contrasted with Midway's production of the Pac-Man game. Exhibit CX 134 provides production figures as of June 30, 1981[32], and testimony provides an estimate of production at the time of the hearing before the

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[27] *Copper Rod II*, pp. 17-18.

[28] *Stringers*, pp. 23-24.

[29] R.D. p. 25.

[30] In light of Artic's accounting methods, I am assuming here that all its printed circuit board sales were for a Pac-Man-like game.

[31] Headboxes, pp. 29-30.

[32] [Information withheld] game machines.

ALJ.[33] Comparing the ALJ's findings on lost sales with complainant's production as of June 30, yields a relatively low import penetration ratio.[34] Using the more realistic figure for lost sales and production at the time of the hearing[35] results in an even smaller import penetration ratio.[36] [37]

More significant than these specific numbers are the repeated statements by complainant's own witnesses. Midway's vice president for marketing has declared that in the last three years Midway has "grown tremendously.[38] He also has stated that Midway has enjoyed tremendous success.[39] This success was occurring during the period that Pac-Man was a major factor in Midway's business.[40]

The record is devoid of any accounting data. Thus, for example, Midway's profits on the games are known only through the vice president's statement about per-game profit.[41] There is no identification of costs for labor, materials, inventory, research and development, or other overhead. Even his statement regarding the per-game profit is suspect because at a different point in his testimony he stated that Midway does not separately allocate profit and loss data by product.[42] However, accepting his profit statements at face value, profit per game is high,[43] and the profit margin is very healthy for any industry.

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[33] Transcript, September 23, 1981, p. 445; RD. p. 27.
[34] [information withheld] percent.
[35] Transcript, September 23, 1981, p. 445.
[36] [information withheld] percent.
[37] *See Siringers.*
[38] Transcript, September 23, 1981, p. 422.
[39] Transcript, September 23, 1981, p. 432.
[40] The discussion in this paragraph is based on Midway as a whole since data reflecting the portion of Midway producing Pac-Man are unavailable. *See Headboxes*, pp. 7-14.
[41] Transcript, September 24, 1981, p. 507.
[42] Transcript, September 24, 1981, p. 621.
[43] [information withheld] percent.

In addition, the record discloses no evidence of price suppression or price depression. There appears to be no inhibition on Midway's ability to attract capital.

A very high percentage of all Midway's workers are producing the Pac-Man game.[44] There is no indication that imports have caused Midway to lay off workers or hire fewer workers than it would have done otherwise.

The vice president has testified that "We're able to sell what we build."[45] Midway is apparently producing at capacity[46] and maintains no inventory of finished games. Moreover, there is no evidence that Midway has a parts inventory which imports could jeopardize.

Much of the argument for temporary relief seems to be based on the perceived short life span of video games. However, these estimates are not necessarily reliable especially in this investigation which deals with an extraordinarily popular game.[47]

In sum, the record shows an exceptionally healthy industry. There is no reason to believe that substantial injury is present and, according to the information furnished by the complainant, it is unlikely that there will be any such injury before the Commission reaches the question of permanent relief.

Harm to Other Parties

The possibility of a short commercial life span of these games suggest that if harm may occur to complainant it may also occur to the respondents during the remainder of the investigation if temporary relief is provided. If the life of the game should expire during the period of temporary relief and

[44] Transcript, September 23, 1981, p. 438.
[45] Transcript, September 24, 1981, p. 612.
[46] CX 133, p. 2, CX 34, p. 12.
[47] *See* Transcript, September 23, 1981, pp. 379, 423. Complaint, p. 14.

violation is not finally established, then there would be substantial harm to the respondents whose access to the market during that period would have been hindered.

Public Interest

I find no strong public interest arguments arguing for or against the issuance of temporary relief in this investigation.

Conclusion

There are shadows cast over the probability of the complainant's ultimately succeeding on the merits. There is no showing of immediate and substantial harm from which the complainant would not fully recover if and when permanent relief is granted. There is potential irreparable harm to the respondents. There are no significant public interest factors. Thus, after balancing these four factors I conclude that temporary relief should not be issued in this investigation.

APPENDIX L

THE WALL STREET JOURNAL
3/12/82

PAC-MAN Mania Swamps Market As Home-Video Game Goes on Sale

By Laura Landro
Staff Reporter of The Wall Street Journal

NEW YORK—After years of running amok, the Space Invaders have met their match.

Without a single gun, laser blast, tank or space battleship, PAC-MAN, a video game from Warner Communications Inc.'s Atari subsidiary, is threatening to blip the Invaders video game into hyperspatial ignominy.

PAC-MAN already may have become the most successful game ever in the U.S. Video-game fanatics pumped nearly $1 billion in quarters into coin-operated PAC-MAN machines to play the game in the year it has been on the arcade market. This week, PAC-MAN hit the home video-game market. Atari's tape cartridge began appearing in retail stores, notably at Sears, Roebuck & Co., some of whose stores sold out in hours.

"It's just a mob-scene," Tom Bell, Sears's video-game buyer, says of the customers who lined up to pay $34.99 for the PAC-MAN cartridge.

Word of Mouth, Waiting Lists

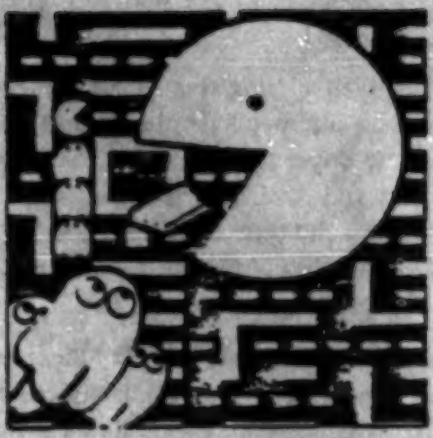
At the Toys R Us chain, word-of-mouth advertising is bringing in the crowds. "We haven't even started to advertise yet, and people are buying them as quickly as they can get in the door," says Norman Ricken, president of the chain. The New York electronics retailing chain, Crazy Eddie, is urging customers to come in and sign up on the PAC-MAN waiting list.

"We'll ship more PAC-MAN cartridges in the first month than Space Invaders sold in the first year," says a Warner executive. More than one million Space Invaders cartridges were sold in the first year.

"PAC-MAN will make more money for Warner than 'Star Wars,' the movie, made for Twentieth Century-Fox," says Richard Simon, a securities analyst at Goldman, Sachs & Co. ("Star Wars" grossed about $370 million, of which the movie company's share is about half.) He figures that PAC-MAN will sell nine million cartridges in its first year to bring Atari about $200 million; the company gets $22.50 each for the cartridges, selling at retail from $34.99 to $39.99. Mr. Simon calculates Warner's operating profit at 50% of the price it gets. "All it is is a $1.50 chip"—an electronic microprocessor—"about $1.50 in royalties and some packaging," he says. The royalties will go to Namco Ltd., the Japanese company that designed PAC-MAN.

PAC-MAN, however, is under attack from another invader, K.C. Munchkin, a video game of North American Philips Corp.'s Magnavox subsidiary.

Atari is using lawyers rather than laser beams to fend off K.C. Munchkin. Atari sued and, last week in Chicago, a federal appeals court enjoined Magnavox from marketing K.C. Munchkin. Atari says the game is a knockoff of PAC-MAN. On Tuesday, a federal judge stayed that ruling and permitted Munchkin to remain on the market while a full trial on a Warner copyright infringement suit against Magnavox takes place. But Atari has appealed the stay.



The judge who had enjoined Magnavox said that K.C. Munchkin, in fact, did have some features different from PAC-MAN. But those features only emphasized "the extent to which it"—Magnavox—"deliberately copied" Atari's product, the judge said. One difference is that K.C. Munchkin's adversaries are all moving electronic shapes called Munchies, while PAC-MAN attacks stationary as well as moving adversaries.

The big-money battle all centers on a little game employing little dots, big flashing dots and blue monsters who hide out in a maze, along with a few electronic fruits, such as cherries. PAC-MAN, a round and characterless protagonist, has a big mouth for chomping on his prey in the maze. PAC-MAN is also known as the PAC, Jaws, Yellow Man and Critter.

There are simple pleasures in playing PAC-MAN: using a console "joy stick," for example, to guide him in the pursuit and consumption of the big flashing dots and fleeing blue monsters. Scholarly devotees of PAC-MAN can even get a book about the game, Simon & Shuster's strategy analysis, "How to Win at PAC-MAN." The book gives helpful paramedical advice on PAC-MAN Elbow and PAC-MAN Blisters, syndromes that sometimes affect players whose entire waking hours are devoted to the game.

Warner executives believe that PAC-MAN has become such a big hit because it appeals to all ages and both sexes. Mr. Bell, the video-game buyer for Sears, agrees. "Previous games like Space Invaders and Asteroids appealed more to the young male teen-ager, the macho type," he says. "But everyone seems to love PAC-MAN—it has a female following, little kids, old people."

Mr. Bell says he never before has seen the likes of customer response to PAC-MAN. In St. Louis, ads announcing it ran last Saturday. By 10:30 a.m. Sunday, one Sears store in St. Louis ran out of games, and the other two were out by noon. In Chicago, ads ran in Wednesday evening's newspaper, and by 10 a.m. yesterday Sears had sold out. Each of the Sears stores got a first shipment of about 200 cartridges.

PAC-MAN Pop Culture

The arcade version of PAC-MAN was licensed from Namco by Bally Manufacturing Corp. which also had licensed the arcade version of Space Invaders. (Atari sells the home cartridge version of Space Invaders, too.) Bally now has a Ms. PAC-MAN and a PAC-MAN II on the way to arcades around the nation, and those also are expected to appear in home cartridge form.

PAC-MAN, moreover, is already becoming a part of pop culture. Warner's Knickerbocker Toy subsidiary expects to sell two million furry little PAC-MAN dolls this year. PAC-MAN pajamas are on the market. J.C. Penney is introducing PAC-MAN-patched jeans and an entire line of PAC-MAN clothes for children. And Columbia Records' "PAC-MAN Fever" hit No. 11 on one music chart for the week of Feb. 27.

"PAC-MAN fever," the lyrics go, "driving me crazy. . ."

APPENDIX M

CHICAGO TRIBUNE NEWSPAPER
3/8/82

Pac-Man gobbles its way into big-time video

By Joe Urschel

THERE EXISTS in this world a bizarre yellow ball that eats white dots and wants to move into your house.

It has great references, a financial future brighter than a newly discovered silver vein, hypnotic powers to rival Rasputin, more fans than Elvis. It also has sex appeal and four ghosts chasing it. To get things off on the right foot, its parent company is throwing a coming-out party of the kind usually reserved for epic motion picture premieres.

It's the Pac-Man cartridge designed for use in the Atari-home video player, an adaptation of the popular arcade game in which a munching yellow sphere speeds through a maze consuming pellets while being pursued by a variety of killer goblins. It is the latest and largest in a round of Pac-Man manifestations that have swept the country like nothing since Beatlemania. Before the year is over, industry analysts say it will be in nearly one of every 10 American homes.

Atari thinks it has a best-seller coming, and when Atari talks best-seller, everyone from 10-year-old paperboys to wing-tipped Wall Street analysts get goose bumps of anticipation.

"Without a doubt, it will be our best-selling cartridge," says Jeff Hoff, media spokesman for Atari. "I won't give any numbers, but I'll go as far as to say it could account for up to 25 percent of everything done in the home game industry this year."

YOU COULD break a calculator trying to determine the correct number of zeroes behind Pac-Man's potential income for Atari. Anthony Hoffman, a stock analyst who watches the telecommunications industry for the Wall Street firm of A.G. Becker, estimates this year's Pac-Man booty at $205 million, meaning Atari will gross about $26 on each cassette sold at a list price of $37.95. He thinks total sales will be about 7.9 million units, nearly double Atari's previous best-seller, Asteroids, which has sold 3.8 million units.

There are certainly no sure things in the world of merchandising, but if Pac-Man doesn't live up to expectations it will send a lot of confused retailers back to business school, for rarely has a new product been so eagerly awaited by the buying public.

J. C. Penney is so hot to grab its share of the bonanza that it is taking advance orders on what it hopes will be $22 million in sales in the Midwest and Northeast regions. Customers have been lining up to put $5 down to be among the first notified of Pac-Man's arrival.

"It is going to be the biggest thing to hit the home video market, just unbelievable," says Dick Krugar, a district merchandiser for Penney in Detroit. His company is indicating an arrival date of April 1 in its advertisements, and that is the day Atari is hoping to make the Pac-Man cartridge generally available nationwide.

SALES OF HOME video cartridge generally parallel their coin-operated forerunners, and Pac-Man has been the most successful machine to date. Some 100,000 coin-operated machines exist in the United States, each eating quarters as fast as Pac-Man gobbles white dots and power pills. Last year, Pac-Man earned about $200 million in the nation's arcades.

Part of that success is due to Pac-Man's sex appeal. It was the first game to lure women into arcades in big numbers. Most of the other arcade success stories involve such macho pursuits

as shooting alien attackers (Space Invaders) or defending a space ship from converging projectiles (Asteroids). Females found those fantastic bores.

"Women aren't much interested in just shooting rocks out of space," says Atari's Hoff. "They are more attracted to Pac-Man because it is nonviolent and involves a little more of the thought process. You have to remember your way around that maze."

One woman, hoping to be the first on her block with the new Pac-Man cartridge, has been wating expectantly for her Pac-Man since Christmas.

"I don't understand some of those other games, but Pac-Man is different. I like it. I like the way it scrubs up all those dots," she says. "Usually when we buy a new game, it is a big debate over which one we'll get. But with Pac-Man, the vote was unanimous" among her husband, daughter and two sons.

MORE THAN 8 percent of America's households (6 million) have a video game attachment for their television, and that number may hit 10 percent by the end of the year, says analyst Hoffman. Of those households, Atari has captured about 80 percent of the market, followed by Mattel's Intellivision with about 15 percent, and Magnavox' Odyssey with 3 to 4 percent. Cartridges designed for one machine cannot be played on another. Atari has more than 40 cartridges on the market and is introducing new additions at the rate of one a month. A home video version of another popular arcade game, Defender, is due in June.

To launch Pac-Man, Atari will sponsor promotions that would have made Louis B. Mayer blush. The company is declaring April 1 National Pac-Man Day and is planning special events in 25 cities. Special customized Volkswagens, called Pac-Vans, will be patrolling the streets blasting Pac-Man sounds while full size Pac-Man in yellow costumes hand out white video wafers akin to the dots consumed in the game for

points. These events will be coordinated with special radio promotions and contests.

The Hollywood-style promotion is appropriate. The money dropped into video game slots is nearly double that spent on movie theater tickets.

If all this is overwhelming, you should understand that Atari is a Japanese word that, roughly translated, means, "You are about to be engulfed!"

Knight-Ridder Newspapers

APPENDIX N

Sears

JUST ARRIVED AT SEARS!

Compatible with Sears Tele-Games Video Arcade or Atari® system

PAC-MAN*

The new video arcade game you've been waiting for is now available for home consumption

Now you can play Pac-Man at home on your own TV! 8 skill levels feature special variations for young children and challenge version for the expert.

34.99 Only per Customer

Tele-Games Video Arcade plays all Atari game cartridges. Exams on Sears for a super savings season starting at only 149.99

Key Book 19.99

WE PLAY FOR KEEPS

Sears CHICAGOLAND STORES

APPENDIX O

PEANUTS.

by Charles M. Schulz

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Published simultaneously in Canada by Holt, Rinehart
and Winston of Canada, Limited

Library of Congress Catalog Number 79-129692
First Edition
SBN: 03-080878-8

Printed in the United States of America

TRICK OR TREAT!
BAM! BAM! BAM!
WHO WAS IT THIS TIME, DEAR?
I COULDN'T TELL... SOME LITTLE KID IN A DOG COSTUME
CHOMP CHOMP CHOMP

APPENDIX P

P1

Int. Cl.: 25
Prior U.S. Cl.: 39
United States Patent Office

Reg. No. 1,016,125
Registered July 15, 1975

TRADEMARK
Principal Register

Chit Chat

Kate Greenaway Industries, Inc. (Delaware corporation)
1333 Broadway
New York, N.Y. 10018

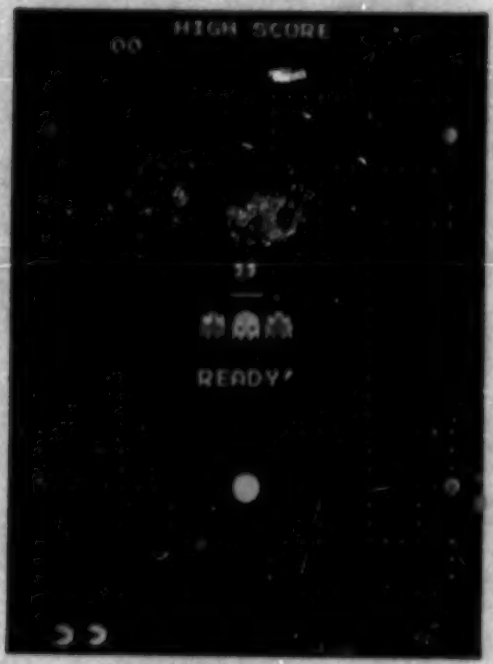
For: CHILDREN'S SPORTSWEAR—NAMELY, PANTS, SHORTS, BLOUSES, JUMPERS, SKIRTS, SWEATERS, AND DRESSES—in CLASS 39 (INT. CL. 25).

First use Jan. 26, 1973; in commerce Jan. 26, 1973.

Ser. No. 449,173, filed Feb. 20, 1973.

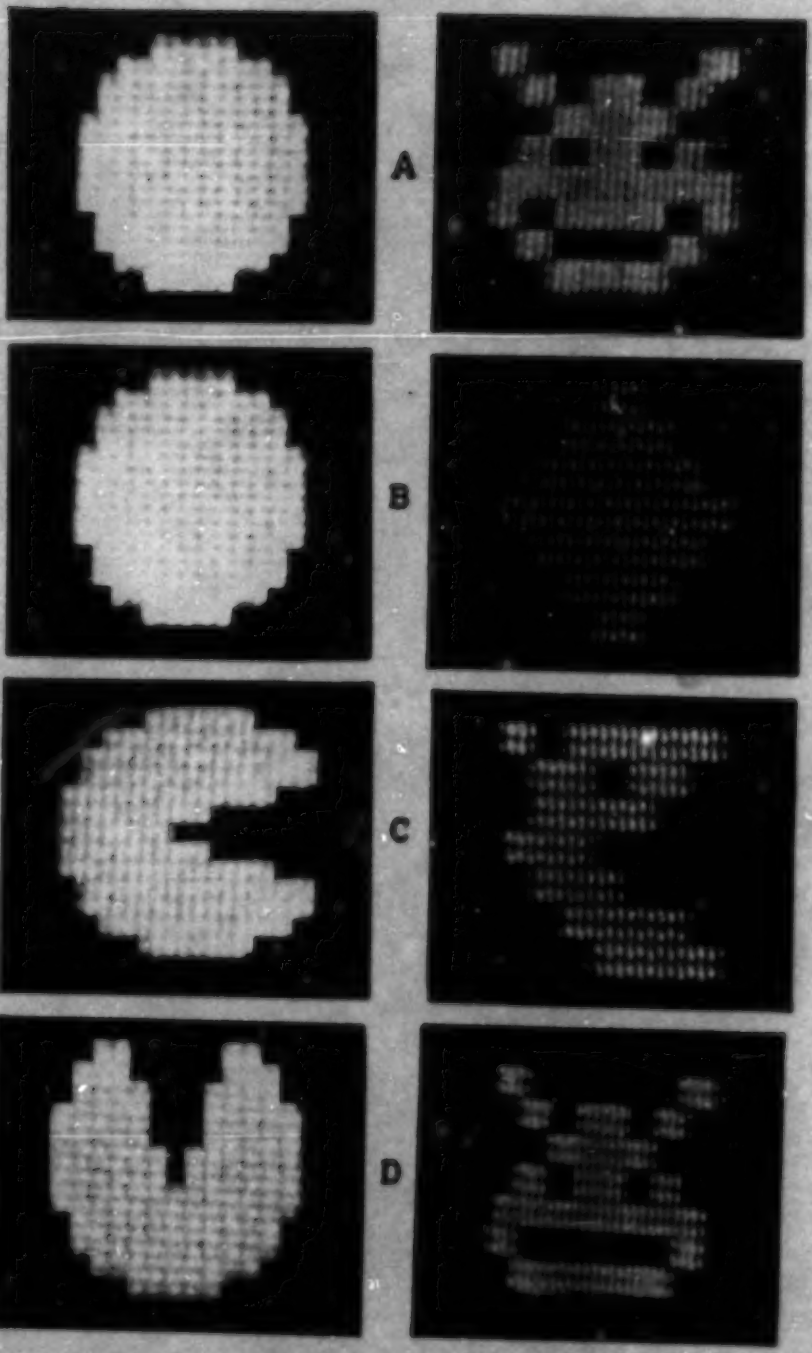
APPENDIX Q

Q1

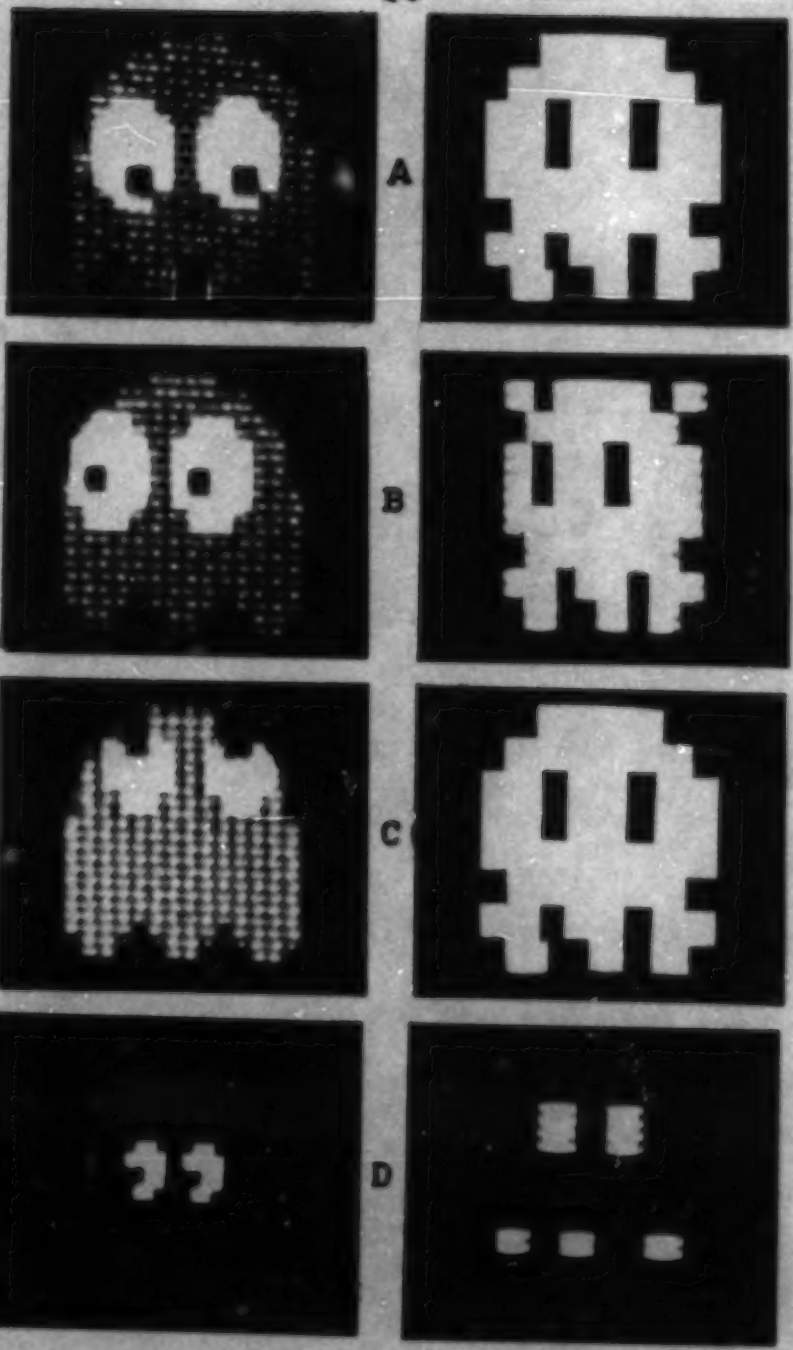


I

II


A
B
C
D
I
II

Q3



APPENDIX R

41

R1

United States Patent Office

799,955
Registered Dec. 7, 1965

PRINCIPAL REGISTER
Trademark

COMB. AFF. SEC 8 & 15

Ser. No. 194,879, filed June 1, 1964

Corneau Inc. (California corporation)
10229 Pearmain St.
Oakland 3, Calif.

For TOASTED CORN KERNELS, in CLASS 46.
First use Apr. 16, 1964; in commerce Apr. 16, 1964.

H. WETHERBEE, *Supervisory Examiner.*
A. G. DIETZ, *Examiner.*

REGISTERED FOR A TERM OF 20 YEARS FROM Dec. 7, 1965

Certified to be a true copy of the registration, which is in full force and effect, with notations of all effective actions taken thereon, excluding transfers, as disclosed by the records of the United States Patent & Trademark Office.

APR 29 1982

COMMISSIONER OF PATENTS & TRADEMARKS

APPENDIX S

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

Cal. No. 176—August Term, 1981

(Argued: October 19, 1981 Decided: March 31, 1982)

Docket No. 81-7358

EDEN TOYS, INC.

Plaintiff-Appellant,

—against—

MARSHALL FIELD & COMPANY,

Defendant-Appellee.

Before:

LUMBARD, MANSFIELD and
VAN GRAAFEILAND, *Circuit Judges*

Appeal from a summary judgment of the United States District Court for the Southern District of New York, Gagliardi, *J.*, dismissing an action for copyright infringement.

Affirmed.

SAMUEL J. STOLL, New York, New York, (Stoll and Stoll, P.C., on the Brief), *for Plaintiff-Appellant.*

THOMAS J. SCHWARTZ, New York, New York, (Skadden, Arps, Slate, Meagher & Flom, New York, New York, on the Brief), *for Defendant-Appellee.*

VAN GRAAFEILAND, *Circuit Judge:*

This is an appeal from a summary judgment of the United States District Court for the Southern District of New York, Gagliardi, *J.*, dismissing Eden Toys' copyright infringement action. We affirm.

I

Eden Toys, Inc. is a nationally known manufacturer of stuffed, plush toys. In 1971, Eden designed and began to manufacture a stuffed toy snowman. This snowman (Snowman I) was two feet tall, had a diamond shaped body, rosy cheeks, a large hat and tattersall scarf. Eden copyrighted Snowman I in 1973. In 1978, Eden revised its snowman design, creating a smaller version with significant changes. The new design (Snowman II) was squarish in appearance with a floppy hat, green scarf and plush, bright red buttons. Snowman I's rosy cheeks and distinctive smile were replaced by a plain white face and a thin, tightly drawn mouth. Eden copyrighted Snowman II in 1979.

Snowman II proved to be a popular item, and Eden sold a number of the toys to retail department stores during the 1978 Christmas season. One of these stores was appellee Marshall Field & Company. In January, 1979, Eden offered to supply Marshall Field with Snowman II for the 1979 Christmas season. Marshall Field responded to Eden's offer in October, 1979, stating that it no longer would purchase Snowman II. Shortly thereafter, several of Eden's employees went to one of Marshall Field's stores and discovered that it was selling a stuffed toy snowman manufactured by another company.

On November 30, 1979, Eden brought the instant action, alleging that Marshall Field's snowman infringed Eden's copyrights on Snowman I and Snowman II. Eden moved for a preliminary injunction and followed with a motion for summary judgment. Marshall Field then cross-moved for

summary judgment. Gerald Wit, one of Marshall Field's buyers, filed several affidavits in connection with these motions. Wit averred that while on a routine purchasing trip to the Orient in March, 1979, he had been shown a stuffed toy snowman manufactured by Ryuo Kwang Moolsan, a Korean producer of plush toys. Wit had expressed an interest in this snowman and requested that Ryuo Kwang Moolsan change the material used for the scarf and the centering of the snowman's hat. The Korean manufacturer agreed to make the changes, and Marshall Field placed a sizeable order. Wit denied that the changes were intended to increase the resemblance between the Korean snowman and Eden's products.

In an opinion dated April 16, 1981, Judge Gagliardi granted Marshall Field's cross-motion for summary judgment. Although he upheld the validity of Eden's copyrights, he ruled that Marshall Field had not infringed these copyrights because Eden's snowmen and the Korean snowman were not substantially similar. Judge Gagliardi found that Snowman I and the Korean snowman bore no resemblance to one another and that whatever similarity existed between Snowman II and the Korean product was exclusively the result of features common to all snowmen. Accordingly, he dismissed Eden's complaint. This appeal concerns only that portion of the judgment dismissing Eden's Snowman II claim.

II

To establish a claim for copyright infringement, a plaintiff " 'must show ownership of a valid copyright and copying by the defendant.' " *Warner Brothers v. American Broadcasting Companies*, 654 F.2d 204, 207 (2d Cir. 1981) (quoting *Novelty Textile Mills, Inc. v. Joan Fabrics Corp.*, 558 F.2d 1090, 1092 (2d Cir. 1977)). Marshall Field does not contest the validity of Eden's copyright on this appeal.

Copying may be established circumstantially by showing that the defendant had access to the copyrighted work and that the two works are substantially similar. *Novelty Textile*

Mills, Inc. v. Joan Fabrics Corp., supra, 558 F.2d at 1092; *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946). Because Marshall Field has conceded access, the only issue before this Court is whether Judge Gagliardi erred in finding a lack of substantial similarity. The snowmen in question now being in our custody, we have the benefit of our own observations on this issue.

The protection afforded a copyrighted work covers only the work's particular expression of an idea, not the idea itself, *Mazer v. Stein*, 347 U.S. 201, 217-18 (1954); *A.A. Hoeling v. Universal City Studios*, 618 F.2d 972, 978 (2d Cir. 1980); 17 U.S.C. § 102(b). Thus, "[t]he threshold question is what characteristics of appellant's design have gained copyright protection." *Herbert Rosenthal Jewelry Corp. v. Honora Jewelry Co.*, 509 F.2d 64, 65 (2d Cir. 1974). Although the process of separating the unprotected idea from the protected expression can sometimes be arduous, *Reyher v. Children's Television Workshop*, 533 F.2d 87, 91 (2d Cir. 1976), the instant case does not present any difficulties in this regard. For countless generations, children and the young at heart have built snowmen by rolling moist snow into balls and placing them one atop the other. Dark colored objects such as lumps of coal are then used to simulate facial features and buttons. Bearing in mind the traditional characteristics of all snowmen, we find no error in Judge Gagliardi's conclusion that any similarity between Snowman II and the Korean snowman would appear to the ordinary observer to result solely from the fact that both are snowmen.[1] *See Novelty Textile Mills, Inc. v. Joan Fabrics Corp., supra*, 558 F.2d at 1093; *Ideal Toy Corp. v. Fab-lu Ltd.*, 360 F.2d 1021, 1022 (2d Cir. 1966).

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[1] The district court did not err in granting summary judgment without first receiving evidence on the characteristics common to all snowmen. The traditional features of a snowman are known generally and thus appropriate for judicial notice. *See Dorun v. Sunset House Distributing Corp.*, 197 F. Supp. 940, 944 (S.D. Cal. 1961), *aff'd sub nom. Sunset House Distributing Corp. v. Dorun*, 304 F.2d 251 (9th Cir. 1962); F.R.E. 201(b)(1).

While the two snowmen are roughly the same size, their "total concept and feel" are substantially different. *See Warner Brothers v. American Broadcasting Companies, supra*, 654 F.2d at 211. The head and body of plaintiff's snowman are shaped substantially in block form, with the stitching ribs at the four perpendicular edges of each block. The head and body of defendant's snowman are in the traditional rounded shape of snowballs, with stitching on each side and the back. Because of this difference in shapes, plaintiff's snowman has a flat face, while the face of defendant's is rounded.

Both snowmen have black button eyes approximately ½" in diameter. However, the eyes on plaintiff's toy are about 1½" apart, while the eyes on defendant's are about 1" apart. Plaintiff's snowman has a small black button nose about ¼" in diameter. Defendant's has a nose approximately ½" in diameter. Both snowmen have V-shaped mouths. However, the total length of the lips on plaintiff's is 1". The total length of defendant's is 1¼". The space between the outer ends of the lips on plaintiff's snowman is about ¼". The same space on defendant's is between 1½" and 1⅝".

Each snowman has two red buttons. However, plaintiff's are approximately 1¾" to 2" in diameter and are made of a soft clipped yarn. Defendant's are approximately 1" in diameter and have a texture more like felt. The top edge of the upper button on plaintiff's toy is about ½" below the green scarf that encircles its neck. The top edge of the upper button on defendant's is about 1½" below the black and white scarf that it wears. There is a 1¼" space between buttons on plaintiff's snowman and a 1⅛" to 2" space on defendant's.

Snowman II has a floppy black hat set back off its forehead and a kelly green scarf with white fringes. Defendant's toy has a shaped black hat with a red band that is shading its eyes and a black and white striped scarf with red fringes.

The two snowmen are made of noticeably different material, that of plaintiff's being softer and fluffier.

These numerous differences furnished ample support for the district court's finding that the two snowmen are not substantially similar. *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 913 (2d Cir. 1980).

Marshall Field's failure to produce evidence that the Korean snowman was Ryuo Kwang Moolsan's completely independent creation did not mandate a contrary finding. Evidence of independent creation may be introduced by a defendant to rebut a plaintiff's prima facie case of infringement. *Novelty Textile Mills, Inc. v. Joan Fabrics Corp., supra*, 558 F.2d at 1092 n.2; *Fisher-Price Toys v. My-Toy Co.*, 385 F. Supp. 218, 221 (S.D.N.Y. 1974). The absence of such evidence is not determinative of liability, however, when two works are not so substantially similar as to raise the inference of copying. Even if an alleged copy is based on a copyrighted work, " 'a defendant may legitimately avoid infringement by intentionally making sufficient changes in a work which would otherwise be regarded as substantially similar to that of the plaintiff's.' " *Warner Brothers v. American Broadcasting Companies, supra*, 654 F.2d at 210 (quoting 3 *Nimmer on Copyright* § 13.03[B], at 13-37 (rev. ed. 1980)).

The judgment of the district court is affirmed.

LUMBARD, *Circuit Judge:*

I dissent.

The snowmen were placed before the court, my brethren looked for differences and of course found them. But in doing so, they violate this circuit's rule that products are substantially similar if "the ordinary observer, unless he set out to detect the disparities would be disposed to overlook them, and regard their aesthetic appeal as the same. That is enough; and indeed it is all that can be said, unless protection against infringement is to be denied because of variants irrelevant to the purpose for which the design is intended."

Peter Pan Fabrics, Inc. v. Martin Weiner, 274 F.2d 487, 489 (2d Cir. 1960) (L. Hand). The key to the ordinary observer test is similarities, not differences. *Durham Industries, Inc. v. Tomy Corp.*, 630 F.2d 905, 913 (2d Cir. 1980) quoting *Novelty Textile Mills v. Joan Fabrics Corp.*, 558 F.2d 1090, 1093 n.4 (2d Cir. 1977). Considering the "primary elements" of the snowmen, *Malden Mills, Inc. v. Regency Mills, Inc.*, 626 F.2d 1112, 1114 (2d Cir. 1980), I think these are similar toys and I think toy buyers will find them similar too.

The toy buyers will not have the two side by side for comparison as we did. Nor will they carry rulers to detect that the snowmen's nose widths, lip lengths, eye spaces and button diameters differ by fractions of an inch. Nor will they pause for serious investigation of the different stitching or contours. No; the average observer's glance will light on one with the same favor as on the other. They share similar composition (two snowballs, two buttons, scarf, face and hat), they share similar facial expressions, and, in general, they share the same "aesthetic appeal."

It is true that plaintiff cannot copyright the "idea" of a snowman. But Eden Toys created something special in its current snowman. The majority notes that Snowman II, replacing Snowman I, won a considerable following. Eden Toys' design and artwork earned the public's favor. It is that design and that artwork that the copyright laws are intended to protect. It is that design and artwork—with its attendant commercial success—that Marshall Field has taken. In sanctioning this misappropriation, the majority leaves open to future copyists the chance to seize the essence of a work while escaping liability through minor changes. Until today, this circuit frowned on such a practice. *See Concord Fabrics, Inc. v. Marcus Bros. Textile Corp.*, 409 F.2d 1315, 1316 (2d Cir. 1969) (per curiam).

I would reverse the judgment of the district court and remand for further proceedings.